



iDreamSky Technology Holdings Limited
创梦天地科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1119



INTERIM REPORT
2021



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BOARD OF DIRECTORS

Executive Directors

Mr. Chen Xiangyu (*Chairman of the Board and Chief Executive Officer*)
Mr. Guan Song
Mr. Jeffrey Lyndon Ko

Non-executive Directors

Mr. Ma Xiaoyi
Mr. Zhang Han
Mr. Yao Xiaoguang
Mr. Chen Yu

Independent Non-executive Directors

Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining
Mr. Mao Rui

AUDIT COMMITTEE

Mr. Zhang Weining (*Chairman*)
Mr. Zhang Han
Ms. Yu Bin
Mr. Li Xintian

STRATEGY COMMITTEE

Mr. Chen Xiangyu (*Chairman*)
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Ma Xiaoyi
Mr. Zhang Weining
Mr. Yao Xiaoguang
Mr. Chen Yu
Mr. Mao Rui

NOMINATION COMMITTEE

Mr. Chen Xiangyu (*Chairman*)
Mr. Guan Song
Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Yu Bin (*Chairman*)
Mr. Jeffrey Lyndon Ko
Mr. Li Xintian
Mr. Zhang Weining

AUTHORIZED REPRESENTATIVES

Mr. Guan Song
Ms. Leung Suet Lun

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Ms. Tang Xu
Ms. Leung Suet Lun

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Certified Public Accountants
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COMPANY'S WEBSITE

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STOCK CODE

1119

DATE OF LISTING

December 6, 2018





Financial Highlights



Six months ended June 30,

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)	Period-on-period
Revenue	1,367,072	1,591,643	(14.1%)
Gross profit	518,770	684,793	(24.2%)
(Loss)/profit before income tax	(80,842)	167,324	(148.3%)
(Loss)/profit for the period	(67,956)	147,866	(146.0%)
Adjusted profit for the period*	13,985	215,378	(93.5%)

* To supplement our unaudited consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit for the period as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted profit for the period was derived from our profit/loss for the period excluding share-based compensation expenses, fair value gains or losses on financial assets, fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss, impairment losses on contract assets, and impairment provisions on investments in associates (if any).





OVERVIEW

As a leading digital entertainment platform in China, iDreamSky has always kept in mind our mission and original aspiration: bring joy to users through technology and creativity, and build a “24/7 online & offline entertainment life circle”. After years of operation, based on our core capabilities and advantages, we have built a large MAU ecosystem, developing a three-dimensional, multi-layer, multi-frequency and long-term interaction mode among quality content, IP and users. In user service and realization close loop of the “24/7 online & offline entertainment life circle” we built, our user value will continue to increase in a spiraling mode, creating value for shareholders.

Thanks to outstanding and refined operation, iDreamSky has accumulated a large number of users. We have defined the core strategy of the games business: taking match-three puzzle games and competitive games as the independent research and development (“R&D”) directions, and releasing the mobile version of mid-and hardcore games by introducing overseas exquisite console and PC games or investing and customizing products. iDreamSky has successfully launched a number of different types of self-developed games such as “Cross Gate” (《魔力寶貝》), “Art of War III” (《全球行動》), “Super Animal Royale” (《小動物之星》), “Glory All Star” (《榮耀全明星》), etc. In the future, we will introduce more self-developed products to the global game market.

The Company has incubated a series of SaaS tools of interactive product lifecycle with its mid-platform technical support capabilities accumulated over the years to provide full-system support services for content developers from early development stage to product launch and operation in policy compliance, AI big data calculation and analysis, traffic acquisition and monetization. With data and technology, we help lower the threshold for starting business, and help them improve the efficiency of their team and product operations, and achieve the purpose of reducing cost and increasing revenue.

“WePlay” is the first experiential entertainment retail block in China developed by the Company collaborating with Tencent, Nintendo, Sony, the world-renowned gaming companies. As a holy land including console experiencing, console and designer toys retail, “WePlay” is the latest scene for the “Generation Z” players merging online entertainment and offline socializing. In March 2021, the Company acquired the IP license from the QQfamily. “WePlay” now holds two thematic brands: “Tencent Video Great Moment Voyage” and “QQfamily”. The first QQfamily flagship store was officially opened on July 24, 2021. As of the date of this report, the Company had 10 regular chain stores of “WePlay”, including 9 regular chain stores of Tencent Video Great Moment Voyage, and 1 QQfamily flagship store.

RESULTS

For the six months ended June 30, 2021, the Company's R&D expenditure increased by 45.4% compared to the same period of the previous year, because the Company enhanced the game development capabilities, strived to improve the traffic pool management, and increased the investment in the R&D of offline entertainment business, such as the development of service mini program and data analysis backstage system. The above situation may have a short-term impact on our financial performance, but the Company has seized new opportunities in the adjustment. We believe that continued investment in R&D is a key driver of our business breakthrough, and that the resources we invest now will lead to significant benefits of our business in the future.

As stated above, our core strategy of gaming business is to focus on the development and operation of match-three puzzle games and competitive games, and convert the high-quality mid-and hardcore console/PC games into mobile games. As a result, we gradually terminated the products not meeting our strategy for gaming business in 2021, and the revenue had a period on period decrease of 14.1%. For the six months ended June 30, 2021, the Group recorded a net loss of RMB68.0 million, as compared to the net profit of RMB147.9 million for the six months ended June 30, 2020. The adjusted net profit of the Group for the six months ended June 30, 2021 was RMB14.0 million, down by 93.5%.

Our average MAUs decreased from 142.0 million for the six months ended June 30, 2020 to 138.0 million for the six months ended June 30, 2021. In the first half of 2021, our average MPUs was reduced to 5.8 million from 6.2 million for the first half of 2020; our monthly ARPPU was reduced from RMB35.5 to RMB33.4 for the six months ended June 30, 2021.





BUSINESS REVIEW AND OUTLOOK

1. Business summary

Ledou Gaming – Gaming business

In 2021, the Company continued to adjust and optimize the structure of the gaming business, focusing on the independent R&D and operation of match-three puzzle games and competitive games, and seeking for introducing suitable overseas mid-and hardcore games into China, and gradually terminating the products that did not conform to its gaming business strategy.

- The Gardenscapes (《夢幻花園》) and Homescapes (《夢幻家園》) series match-three puzzle games released and distributed by iDreamSky had a bucking rising in 2021 compared with the same period of previous year. In April 2021, we granted the overseas release and distribution rights of the Witch Diaries (《女巫日記》), the first self-developed generation II match-three puzzle game, to Tencent. It is expected to be launched worldwide in 2022.
- Super Animal Royale, the Company's self-developed competitive mobile game, was officially launched on May 13, 2021, and acquired 3.5 million users in only three months after its launch. After three months of operation, it has gained a good reputation among players, and the Company will increase production capacity for this game in the next stage.
- Glory All Star, the Company's self-developed ARPG product, performed much better than expected during the test period, and was officially launched at Android terminals on April 29, 2021. After the launch, the monthly revenue showed a rising trend. In addition, its iOS version was also officially launched on August 27, 2021.
- We started a national league for "Art of War III", the first self-developed RTS game of the Company, in 2021. By far, we have successfully held three tournaments in Wuhan, Xi'an and Shanghai, and received good response from players. The e-sports event greatly stimulated the enthusiasm of the players, created a variety of product topics, videos, ideas and other contents, promoted long-term popularity of the product and player activity, continuously attracted the player traffic, thus bringing a variety of benefits for the game development.
- Meanwhile, with the enhanced investment of iDreamSky in e-sports products, we will enable closer interaction between our games, such as "Eternal Return" (《永恒輪回》) and "Super Animal Royale", and the players through the e-sports event platform, in order to foster a group of core players. In addition, with the e-sports event platform, iDreamSky will deepen the cooperation with other CPs, offer more interesting games to players, and build a traffic ecosystem of "games — e-sports — players".

SaaS Business Segment – Reusable enterprise-class applications

In May 2021, we reached a strategic partnership with Huawei Cloud to serve the vertical customers in depth together.

In terms of our advertising SaaS business, we have served nearly 600 business customers in the gaming and e-commerce field, with paying customers accounting for more than 50%. Our product passed the test of millions of data. The GTV increased 7 times in three months, representing an exponential growth.





“WePlay” – Offline stores with new experience to Generation Z

In March 2021, the Company acquired an IP license from the QQfamily. Therefore, “WePlay” now holds two thematic brands: “Tencent Video Great Moment Voyage” and “QQfamily”.

Thanks to the business model that meets the market demand, and the high-quality contents and IPs, and the support of customer resources, “WePlay” business has developed an obvious brand premium capacity, and become the latest pan-entertainment business modality that the shopping mall urgently needs to drive the circulation of passenger flow and the growth of stay time. This has given us the rent bargaining power and resource access advantages that can further improve the financial performance of individual stores.

In May 2021, the Company opened five regular chain stores together in Guangzhou and Shenzhen. On July 24, the first QQfamily flagship store in China was opened in Shenzhen Happy Coast. The model of QQfamily flagship store is the combination of its original model which consists of console experience and sales, with sales of designer toys of various IP themes, which is designed to further enrich the business model of offline store and build the second growth curve of “WePlay”. As of the date of this report, the Company has opened 10 regular chain stores of “WePlay”, including 9 regular chain stores of Tencent Video Great Moment Voyage, and 1 QQfamily flagship store.

2. Outlook and strategies of the Company in the second half of 2021

Looking forward to the second half of 2021, we have reserved three self-developed games based on our core strategies. The two of them are “National Customs Synthesis (《國風合成》)” and “Dumpling Synthesis (《團子合成》)” (tentative names), which are match-three puzzle games, will be tested in this year. In addition, Garden Restaurant (《夢幻餐廳》), our co-developed and released match-three puzzle game, is expected to be launched in the fourth quarter of 2021.

In addition, Eternal Return (PC version), our jointly-developed competitive game, has entered the approval process of domestic version number. It is expected that the game will be launched in 2022.

We signed an Exclusive Agency Agreement with Tencent on August 27, 2021 for our self-developed nijigen game CALABIYAU (《卡拉比丘》), authorizing Tencent to publish the mobile and client versions of the game in Mainland China (excluding Hong Kong, Macao and Taiwan). In addition, Black Desert (《黑色沙漠》), a MMORPG mobile game jointly run by Tencent and us, will be officially launched nationwide in due course.

We will invest more resources to expand the SaaS customer base and user population. Meanwhile, we will also continue to deeply explore user needs and take long-term user operation as our ultimate goal.

QQfamily has attracted many people and received excellent response since its opening. From the trial operation on July 10 to August 9, 2021, the unaudited operating income reached RMB2.17 million, in which the sales of designer toys accounted for approximately 50%.

However, due to the unpredictable impact of the pandemic on the future, the Company will adjust the 2021 target of opening “WePlay” offline stores to 20 regular chain stores. For the QQfamily offline standard store, we will focus on opening new stores in Guangzhou and Shenzhen and the surrounding areas this year, and we are working on the plan for national expansion. In addition, the Company will continue the development of designer toy IPs, and march into the middle and upper reaches of designer toy industry by leveraging its own and its shareholders' IP resources, in order to break through the close loop of designer toy production links.





CORPORATE RESPONSIBILITY

iDreamSky participated in the drafting of three game-related group standards, namely Game Product Innovation Indicators (《遊戲產品創新指標》), Quality Game Evaluation Norms (《精品遊戲評價規範》) and E-sports Event Classification (《電競賽事分級分類》). In May 2021, such industry standards have been formally approved by the Technical Committee on Group Standardization of China Audio-video and Digital Publishing Association (中國音像與數字出版協會).

iDreamSky will continue to actively respond to the national and policy call, establish and maintain a safe online game environment for minors, continuously strengthen the protection measures for minors, and care for the healthy growth of teenagers in all aspects. During the six months ended June 30, 2021, the Company's revenue from minors accounted for 0.18% of our game revenue.

ACKNOWLEDGMENTS

On behalf of the Board, I would like to take this opportunity to extend my gratitude to the management and all staff of the Group for their hard work and dedication. I would also like to extend our sincere appreciation for the supports to our shareholders, business partners and stakeholders for their support.





Management Discussion and Analysis



The following table sets forth the comparative figures for the six months ended June 30, 2021 and 2020:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenues	1,367,072	1,591,643
Cost of revenues	(848,302)	(906,850)
Gross profit	518,770	684,793
Selling and marketing expenses	(208,067)	(192,180)
General and administrative expenses	(128,760)	(122,088)
Research and development expenses	(163,599)	(112,489)
Net impairment losses on financial assets and contract assets	(33,279)	(35,845)
Other income	23,457	14,033
Other losses, net	(2,955)	(2,144)
Fair value (losses)/gains on financial assets at fair value through profit or loss	(19,692)	7,434
Operating (loss)/profit	(14,125)	241,514
Finance income	28,351	4,355
Finance costs	(65,722)	(48,347)
Finance costs, net	(37,371)	(43,992)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	(21,135)	(27,748)
Share of results of investments accounted for using the equity method	(8,211)	(2,450)
(Loss)/profit before income tax	(80,842)	167,324
Income tax credit/(expense)	12,886	(19,458)
(Loss)/profit for the period	(67,956)	147,866
Adjusted profit for the period	13,985	215,378





REVENUES

Starting from 2020, the Group expanded its core business to more variety of services and started to disclose three reporting segments, namely games and information services, SaaS and other related services and offline entertainment. For further details of the segment information, please refer to note 6 to the interim condensed consolidated financial information.

Revenues for the six months ended June 30, 2021 decreased by 14.1% to approximately RMB1,367.1 million (six months ended June 30, 2020: RMB1,591.6 million). For the six months ended June 30, 2021, revenues from games and information services, SaaS and other related services and offline entertainment accounted for 96.9%, 2.2% and 0.9% (six months ended June 30, 2020: 98.4%, 1.4% and 0.2%) of the Group's total revenue, respectively.

REVENUES FROM GAMES AND INFORMATION SERVICES

	Six months ended June 30,			
	2021		2020	
	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	% (unaudited)
Game revenue	1,189,738	89.8	1,387,666	88.6
Information service revenue	130,754	9.9	177,872	11.3
Other revenue	4,092	0.3	1,280	0.1
	1,324,584	100.0	1,566,818	100.0

- Game revenue.** The largest portion of revenues is derived from our games, which contributed 89.8% and 88.6% of our revenues from the game and information services for the six months ended June 30, 2021 and 2020, respectively. The decrease in game revenue from RMB1,387.7 million for the six months ended June 30, 2020 to RMB1,189.7 million for the six months ended June 30, 2021 was primarily due to that the Group has stepwise terminated games that were no longer in line with the Group's core strategy of focusing on the development and operation of exquisite match-three puzzle games and competitive games.

The following table summarizes our key operating data for the six months ended June 30, 2021 and 2020, respectively:

	Six months ended June 30,	
	2021	2020
Average MAUs (millions)	138.0	142.0
Average MPUs (millions)	5.8	6.2
Monthly ARPPU (RMB)	33.4	35.5

* Our key operating metrics included data from all games published and operated by us. During the six months ended June 30, 2021, Cross Gate (Mobile version) (魔力寶貝(手機版)), FIFPro World Players' Union (全民冠軍足球) and Art of War III (全球行動), were three games not published or operated by us, which were published and operated by Tencent.

- MAUs.** Our average MAUs decreased from 142.0 million for the six months ended June 30, 2020 to 138.0 million for the six months ended June 30, 2021, which was primarily due to that the Group has stepwise terminated games those were no longer in line with the Group's strategy in gaming business.
- MPUs.** Our average MPUs decreased from 6.2 million for the six months ended June 30, 2020 to 5.8 million for the six months ended June 30, 2021, the reason of which was in line with the decrease of MAUs.





- **Monthly ARPPU.** Our monthly ARPPU decreased from RMB35.5 for the six months ended June 30, 2020 to RMB33.4 for the six months ended June 30, 2021, primarily due to the decrease in the proportion of the Company's revenue from mid-and hardcore games during the period, while the monthly ARPPU for mid-to-hardcore games was higher.
- **Information service revenue.** Our information service revenue is primarily derived from our in-game advertising services. Information service revenue decreased from RMB177.9 million for the six months ended June 30, 2020 to RMB130.8 million for the six months ended June 30, 2021. The decrease was mainly due to the substantial increase in advertising revenue in the first half of 2020 as a result of the increase in online advertisements during the COVID-19 pandemic outbreak in 2020. Online advertisements dropped to a normal level in the current period, resulting in a decrease in the advertising revenue as compared with the same period last year.

SAAS AND OTHER RELATED SERVICES AND OFFLINE ENTERTAINMENT

Due to the Group's strategic deployment and continuous investment in SaaS and other related services and offline entertainment business, the Group's revenue from SaaS and other related services for the six months ended June 30, 2021 was RMB30.7 million (six months ended June 30, 2020: RMB22.5 million), representing a period-on-period increase of 36.4%, and revenue from offline entertainment business was RMB11.8 million (for the six months ended June 30, 2020: RMB2.3 million), representing a period-on-period increase of 413.0%.

COST OF REVENUES

Our cost of revenues decreased by 6.5% from RMB906.9 million for the six months ended June 30, 2020 to RMB848.3 million for the six months ended June 30, 2021. The decrease primarily reflected less channel costs and revenue share to content providers in line with the decrease of our revenues.

As a percentage of revenues, our cost of revenues increased to 62.1% for the six months ended June 30, 2021 from 57.0% for the six months ended June 30, 2020. The increase was primarily due to less game revenue being recognized on a net basis and with higher gross margin.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses increased by 8.3% from RMB192.2 million for the six months ended June 30, 2020 to RMB208.1 million for the six months ended June 30, 2021. As a percentage of revenue, our selling and marketing expenses increased from 12.1% for the six months ended June 30, 2020 to 15.2% for the six months ended June 30, 2021. The increase is mainly attributable to the product life cycle of games which is characterised by higher paybacks during product maturity stage and requires high cost outflows during the initial stage. For instances, the launch of new games like Super Animal Royale (《小動物之星》) and Glory All Star (《榮耀全明星》) during the first half of 2021 requires high and continuous promotion cost injections which had impacted the current period's selling and marketing expense ratio.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses increased by 5.5% from RMB122.1 million for the six months ended June 30, 2020 to RMB128.8 million for the six months ended June 30, 2021. As a percentage of revenue, our general and administrative expenses increased from 7.7% for the six months ended June 30, 2020 to 9.4% for the six months ended June 30, 2021. The increase was mainly due to the decrease in the Group's total revenue for the period ended June 30, 2021, resulting in a decrease in the scale effect of the management level.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses increased by 45.4% from RMB112.5 million for the six months ended June 30, 2020 to RMB163.6 million for the six months ended June 30, 2021. As a percentage of revenue, our research and development expenses increased from 7.1% for the six months ended June 30, 2020 to 12.0% for the six months ended June 30, 2021. The increase in research and development expenses was due to our continuous investment in enhancing our game development capabilities and the Group's efforts in improving and perfecting traffic pool management. On the other hand, the Group has increased investment in the research and development of offline entertainment business.





NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

We recorded net impairment losses on financial assets and contract assets of RMB35.8 million and RMB33.3 million for the six months ended June 30, 2020 and the six months ended June 30, 2021, respectively.

FINANCE COSTS, NET

Our finance costs, net decreased by 15.0% from RMB44.0 million for the six months ended June 30, 2020 to RMB37.4 million for the six months ended June 30, 2021, primarily due to two factors: (1) an increase of RMB24.0 million in our finance income as we recognized an exchange gain of RMB25.6 million in the first half of 2021, which was mainly resulted from our translation of EUR denominated borrowings whereas Euro against U.S. dollars depreciated during the period; (2) an increase of RMB17.4 million in our finance costs, which was mainly due to our issuance of HKD775 million guaranteed convertible bonds in October 2020.

INCOME TAX CREDIT/EXPENSE

We recorded an income tax credit of RMB12.9 million for the six months ended June 30, 2021, compared to an income tax expense of RMB19.5 million for the six months ended June 30, 2020. The income tax credit recorded for the current period was mainly due to the increase in the amount of tax losses, resulting in an increase in the balance of deferred income tax assets for the current period, giving rise to a larger amount of deferred tax credit.

LOSS/PROFIT FOR THE PERIOD

We recorded a net loss of RMB68.0 million for the six months ended June 30, 2021, compared to a net profit of RMB147.9 million for the six months ended June 30, 2020; our adjusted profit for the period for the six months ended June 30, 2021 was RMB14.0 million, compared to an adjusted profit for the period (as defined below) of RMB215.4 million for the six months ended June 30, 2020.

OTHER FINANCIAL INFORMATION

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Adjusted profit for the period ⁽¹⁾	13,985	215,378
EBITDA ⁽²⁾	103,918	304,735
Adjusted EBITDA ⁽³⁾	185,859	372,247

Notes:

- (1) Adjusted profit for the period was derived from our profit/loss for the period excluding share-based compensation expenses, fair value gains or losses on financial assets, fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss, impairment losses on contract assets, and impairment provisions on investments in associates (if any).
- (2) EBITDA is net income or loss before interest expense, income tax credit/expense, depreciation and amortization.
- (3) Adjusted EBITDA is calculated using adjusted profit for the period, adding back depreciation of property, plant and equipment, investment properties and right-of-use assets, amortization of intangible assets, income tax credit/expense and interest expense.





NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS FINANCIAL MEASURES

To supplement the consolidated financial statements of the Group prepared in accordance with IFRS, the three non-IFRS measures, namely adjusted profit for the period, EBITDA and adjusted EBITDA, as additional financial measures, have been presented in this interim report. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

We present non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. By excluding certain expenses, gain/(loss) and other items that are not expected to result in future cash payments or that are non-recurring in nature or may not be indicative of our core operating results and business outlook, we believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information regarding the Group's financial performance to investors and Shareholders of the Company. The Company's management also believes that the non-IFRS measures are appropriate for evaluating the Group's operating results and the relevant trends relating to its financial position. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

	Six months ended June 30,	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Reconciliation of (loss)/profit for the period to adjusted profit for the period:		
(Loss)/profit for the period	(67,956)	147,866
Add: Fair value losses/(gains) on financial assets at fair value through profit or loss	19,692	(7,434)
Add: Share-based compensation expenses	27,748	47,198
Add: Fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss	21,135	27,748
Add: Impairment losses on contract assets	1,031	—
Add: Impairment provisions on investments in associates	12,335	—
Adjusted profit for the period	13,985	215,378





Six months ended June 30,

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Reconciliation of (loss)/profit for the period to EBITDA and adjusted EBITDA:		
(Loss)/profit for the period	(67,956)	147,866
Add: Depreciation of property, plant and equipment, investment properties and right-of-use assets	17,299	15,920
Add: Amortization of intangible assets	101,739	75,065
Add: Income tax (credit)/expense	(12,886)	19,458
Add: Interest expense	65,722	46,426
EBITDA	103,918	304,735
Add: Fair value losses/(gains) on financial assets at fair value through profit or loss	19,692	(7,434)
Add: Share-based compensation expenses	27,748	47,198
Add: Fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss	21,135	27,748
Add: Impairment losses on contract assets	1,031	—
Add: Impairment provisions on investments in associates	12,335	—
Adjusted EBITDA	185,859	372,247

LIQUIDITY AND FINANCIAL RESOURCES

We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position.

As of June 30, 2021, the Group's total cash and cash equivalents decreased by 47.4% to approximately RMB386.8 million from approximately RMB735.6 million as of December 31, 2020. Our cash and cash equivalents were primarily denominated in RMB, HKD, EUR and USD.

As of June 30, 2021, the Group's total borrowings amounted to approximately RMB1,385.0 million (December 31, 2020: RMB1,553.7 million). The nature of the Group's borrowings is summarized as follows:

	As of June 30, 2021 <i>RMB'000</i> (unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Secured bank borrowings	1,332,040	1,509,633
Secured other borrowings	30,000	44,026
Unsecured other borrowings	23,000	—
	1,385,040	1,553,659





The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As of June 30, 2021 RMB'000 (unaudited)	As of December 31, 2020 RMB'000 (Audited)
RMB	793,000	828,177
EUR	592,040	725,482
	1,385,040	1,553,659

As of June 30, 2021, the current assets of the Group amounted to approximately RMB3,322.6 million, and the current liabilities of the Group amounted to approximately RMB2,101.2 million. As of June 30, 2021, the current ratio (being the current assets to current liabilities ratio) of the Group was 1.58 as compared with 1.53 as of December 31, 2020.

Debt ratio is calculated based on our total liabilities as at the respective date divided by our total assets as at the same date. As of June 30, 2021, the debt ratio of the Group was 42.6% as compared with 45.0% as of December 31, 2020.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, convertible bonds, convertible bonds classified as financial liabilities at fair value through profit or loss, amounts due to related parties, interest payable and lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statement of financial position. As of June 30, 2021 and December 31, 2020, the Group's gearing ratio was 44.2% and 37.2%, respectively.

PLEDGE OF ASSETS

Among the total borrowings of the Group as of June 30, 2021, approximately RMB852.0 million (December 31, 2020: RMB987.9 million) were secured by the Group's land and buildings, certain trade receivables, certain game intellectual properties and certain deposits which accounted for approximately 61.5% (December 31, 2020: 63.6%) of the Group's total borrowings.

CONTINGENT LIABILITIES

As of June 30, 2021, the Group did not have any unrecorded significant contingent liabilities or guarantees made by us (December 31, 2020: nil).

CAPITAL EXPENDITURE

For the six months ended June 30, 2021, our total capital expenditure was approximately RMB185.8 million, compared to RMB336.2 million for the six months ended June 30, 2020. Our capital expenditure primarily included expenditures for license fees paid to game developers, right-of-use assets, construction in progress and purchase of property, plant and equipment. We plan to fund our capital expenditures through our operating cash flows, debt financing and equity financing. We may adjust our capital expenditure according to our future development plans or in light of market conditions and other factors that we consider appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

For the six months ended June 30, 2021, the Group did not have any material acquisitions, disposals or significant investments.





FOREIGN EXCHANGE RISK MANAGEMENT

The Group operates internationally and is exposed to the foreign exchange risk arising from various currency exposures, primarily with respect to the RMB, HKD, EUR and USD. Therefore, the foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. Our Group manages the foreign exchange risk by performing regular reviews of our Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

We did not hedge against any fluctuations in foreign currency during the six months ended June 30, 2021 and 2020.

EMPLOYEE AND REMUNERATION POLICY

We had 889 and 738 full-time employees as of June 30, 2021 and December 31, 2020, respectively. Substantially all of our employees are based in the PRC.

Our success depends on our ability to attract, retain and motivate qualified personnel. We offer our employees competitive compensation packages and a collegial and creative working environment, and as a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team. We compensate our employees with basic salaries, performance-based bonuses and share-based incentives.

In accordance with the laws and regulations in the PRC, the PRC-based employees of the Group participate in various defined contribution retirement benefit plans under which the Group and the PRC-based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

There was no forfeited contribution utilized to offset employers' contributions for the six months ended June 30, 2021 and the year ended December 31, 2020, respectively, and there was no forfeited contribution available to reduce the contribution payable in the future years as of June 30, 2021 and December 31, 2020, respectively.

USE OF PROCEEDS FROM THE ISSUANCE OF CONVERTIBLE BONDS

1. Convertible bonds of USD30 million

On November 26, 2019, the Company and Poly Platinum Enterprises Limited entered into a subscription agreement, pursuant to which the Company agreed to issue to Poly Platinum Enterprises Limited the convertible bonds in the principal amount of USD30 million ("**2023 Convertible Bonds**"). The convertible bonds are convertible into the Shares of the Company, and the initial conversion price was set at HKD4.69 per Share. The issuance of the convertible bonds was completed on January 3, 2020 and the maturity date is January 3, 2023. For further details of the issuance of the convertible bonds of USD30 million, please refer to the Company's announcements dated November 26, 2019 and January 3, 2020.

The net proceeds from the issuance of convertible bonds by the Company to Poly Platinum Enterprises Limited ("**2023 CB Proceeds**") were approximately RMB204.6 million. The Company has fully utilized the 2023 CB Proceeds to further expand its game portfolio and enrich its contents offerings, conduct strategic acquisition and supplement its working capital in 2020. The following table sets out the details of the actual amount utilized of the proceeds from 2023 Convertible Bonds, such utilization was in line with the plans disclosed previously:

	Actual net amount utilized for the year ended December 31, 2020
	<i>RMB million</i>
Expansion of our game portfolio and enriching our contents offerings	149.5
Supplement working capital	55.1
Total	204.6





2. Convertible bonds of HKD775 million

On October 6, 2020, Dreambeyond Holdings Limited (“DHL”, a wholly-owned subsidiary of the Company) and Merrill Lynch (Asia Pacific) Limited (as the manager) entered into a subscription agreement, pursuant to which the manager has agreed to subscribe for, or to procure subscriber to subscribe and pay for, the bonds issued by DHL in the aggregate principal amount of HKD775 million (“2025 Convertible Bonds”). The Bonds bear interest rate of 3.125% per annum, payable semi-annually, with maturity of 5 years from the issuance date, and can be converted into shares of the Company at the holder’s option at any time on or after the date which is 41 days after the issuance date up to the close of business on the date falling seven days prior to the maturity date at an initial conversion price of HKD4.99 per Share. The issuance of convertible bonds was completed on October 16, 2020. For further details of the convertible bonds of HKD775 million, please refer to the Company’s announcements dated October 7, 2020 and October 16, 2020.

The net proceeds from the 2025 Convertible Bonds (“2025 CB Proceeds”) issued by the Group were approximately RMB638.5 million. The Group intends to use the 2025 CB Proceeds for the Group’s research and development of its own games and products and supplementing its capital for strategic opportunities in the future.

For the year ended December 31, 2020, the actual net amount of 2025 CB Proceeds utilized in accordance with the intended purposes was approximately RMB310.4 million. The unutilized amount was RMB328.1 million as of December 31, 2020, which is expected to be utilized in 2021 pursuant to the intended purposes. The following table sets out the details of the actual amount utilized in 2020 and the estimated amount utilized in the future of 2025 CB Proceeds, the actual utilization and the estimated utilization were in line with the plans disclosed previously:

	Actual net amount utilized for the year ended December 31, 2020 <i>RMB million</i>	Unutilized amount as of December 31, 2020 <i>RMB million</i>	Estimated amount utilized as of December 31, 2021 <i>RMB million</i>
Expansion of our game portfolio and enriching our contents offerings	190.3	31.8	31.8
Supplement working capital	120.1	296.3	296.3
Total	310.4	328.1	328.1

For the six months ended June 30, 2021, the actual net amount of 2025 CB Proceeds utilized in accordance with the intended purposes was approximately RMB250.0 million. The unutilized amount was RMB78.1 million as of June 30, 2021, which is expected to be utilized in the second half of 2021 pursuant to the intended purposes. The following table sets out the details of the actual amount utilized for the six months ended June 30, 2021 and the estimated amount utilized in the future of 2025 CB Proceeds, the actual utilization and the estimated utilization were in line with the plans disclosed previously:

	Unutilized amount as of January 1, 2021 <i>RMB million</i>	Actual net amount utilized for the six months ended June 30, 2021 <i>RMB million</i>	Unutilized amount as of June 30, 2021 <i>RMB million</i>	Estimated amount utilized for the six months from July to December 2021 <i>RMB million</i>
Expansion of our game portfolio and enriching our contents offerings	31.8	31.8	—	—
Supplement working capital	296.3	218.2	78.1	78.1
Total	328.1	250.0	78.1	78.1





UPDATES ON ACQUISITION OF TIANJIN HUOHUN INTERNET TECHNOLOGY CO., LTD. (天津火魂網絡科技有限公司) (“TIANJIN HUOHUN”, PREVIOUSLY KNOWN AS SHANGHAI HUOHUN INTERNET TECHNOLOGY CO., LTD. (上海火魂網絡科技有限公司))

On August 7, 2018, the Company acquired 70% of the issued share capital of Tianjin Huohun at a total consideration (the “**Consideration**”) of RMB1.05 billion (the “**Acquisition**”) and recognized goodwill of RMB989,233,000 upon completion of the Acquisition. The Consideration was determined after arm’s length negotiations between the Company and the then existing shareholders of Tianjin Huohun (the “**Sellers**”) by reference to (i) the profit guarantee given by the Sellers, (ii) the price-to-earnings ratio of approximately five times; and (iii) the benefits and merits from the Acquisition including the acquisition of R&D talents and potential synergies with the Company’s principal business.

According to the agreement for the acquisition of Tianjin Huohun (“**Tianjin Huohun SPA**”), if the predetermined profit target amount of RMB300,000,000 is not achieved by Tianjin Huohun from June 1, 2018 to May 31, 2019 (“**Performance Appraisal Period**”), the Sellers shall compensate the Group according to the pre-determined mechanism/formula. The net profit of Tianjin Huohun during the Performance Appraisal Period was RMB210,000,000. Under the compensation mechanism pursuant to the Tianjin Huohun SPA, the Group has the right to acquire the remaining 30% equity interest of Tianjin Huohun at a consideration of RMB1.

On May 3, 2019, the Group and the Sellers entered into a supplemental agreement to receive cash compensation from the Sellers instead of the acquisition of 30% equity interest, which can offset the unpaid consideration to Sellers. Pursuant to the supplemental agreement, the compensation is RMB315,000,000. The difference of RMB294,911,000 between RMB315,000,000 and the amount of contingent consideration assets of RMB20,089,000 recognized at the acquisition date and as of December 31, 2018 was recognized as other gains for the year ended December 31, 2019.

The management consider Tianjin Huohun as a separate CGU (the “**Tianjin Huohun CGU**”) and the goodwill is allocated to the Tianjin Huohun CGU. The recoverable amount of the Tianjin Huohun CGU is determined based on the value in use calculations as of December 31, 2020 and June 30, 2021. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a six-year period. Cash flows beyond the six-year period are extrapolated using the estimated terminal growth rates stated below.

Pursuant to paragraph 10 of IAS 36, “goodwill acquired in a business combination to be tested for impairment annually”, the management therefore engaged an independent valuer, Avista Business Consulting (Shanghai) Co., Ltd. (“**AVISTA**”) to carry out impairment assessment on the goodwill. Based on the assessment on the recoverable amounts of the Tianjin Huohun CGU as of December 31, 2019 and 2020, the Group recognised the impairment loss on goodwill of Tianjin Huohun amounted to RMB422,331,000 and RMB493,680,000 for the years ended December 31, 2019 and 2020, respectively. For further details, please refer to the 2019 Annual Report and the 2020 Annual Report of the Company.

As at June 30, 2021, the key parameters calculated for value in use were as follows:

Key assumptions	As at June 30, 2021	As at December 31, 2020
Average revenue growth rate during the forecast period	-6.16%	-5.34%
EBITDA margin during the forecast period	33.21%–73.75%	41.30%–59.47%
Terminal growth rate	3.00%	3.00%
Pre-tax discount rate	30.74%	30.15%





The Group considered that the selection basis and criteria, as well as the key assumptions, adopted by AVISTA were fair and reasonable.

AVISTA primarily took into account the financial budget and forecast prepared by the management of Tianjin Huohun when conducting the valuation, with reference to (1) the average revenue growth rate of Tianjin Huohun between FY2021 and FY2026; (2) EBITDA margin between FY2021 and FY2026; (3) terminal growth rate; and (4) pre-tax discount rate. When assessing the fairness and reasonableness of this valuation methodology, the Group reviewed the internal control procedures adopted by the Company in formulating and reviewing the financial budgets and forecast prepared by Tianjin Huohun, which includes the following:

- (a) the product team of Tianjin Huohun (A) assessed and estimated certain key performance assumptions including MAU, paying ratio, ARPPU, and an expected revenue return based on the current performance and expected lifecycle of the games launched; and (B) carefully assessed the prospects of such games yet to be launched based on the available operating data of comparable games in the market;
- (b) the finance team of the Company further assessed the accuracy and reasonableness of the financial budgets and forecast initially proposed by Tianjin Huohun, while the management of the Company reviewed and assessed the reasonableness of the assumptions and comparable data adopted and submitted the same to the CEO of the Company for final review and approval.

Based on management's assessment on the recoverable amounts of the Tianjin Huohun CGU for the period, no further impairment loss on goodwill is required as of June 30, 2021.

IMPAIRMENT OF INVESTMENT IN GUANGZHOU TIZI NETWORK TECHNOLOGY CO., LTD. ("GUANGZHOU TIZI")

Guangzhou Tizi was incorporated in February 2014 and principally engaged in the research and development and operation of mobile games. The Group invested RMB6 million to acquire 20% equity interests of Guangzhou Tizi in October 2014. The investment was accounted for as investment in associate as the Group could exercise significant influence on Guangzhou Tizi's operating and financing decisions through appointment of a director in Guangzhou Tizi.

In March 2016, the Group invested an additional RMB8 million in Guangzhou Tizi. Upon the completion of the additional investment, the Group held an aggregate of 30.67% equity interests in Guangzhou Tizi.

Since Guangzhou Tizi became the Group's associate, the Group has been maintaining regular communication with it with respect to its business developments and financial performance. However, since May 2021, the Group became aware that Guangzhou Tizi had experienced financial difficulties resulted from: (1) the inability to generate sufficient cash flows from existing games which were mainly at the end of the life cycle; (2) the inability to launch new games due to the lack of the licensed copyright.

In light of the above, the management carried out an impairment assessment on the recoverable amount of the investment in Guangzhou Tizi based on the latest information available and made an impairment provision of RMB12,335,000.





CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance for the six months ended June 30, 2021.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer shall be separate, and shall not be performed by the same individual.

At present, the roles of the chairman of the Board and the chief executive officer of the Company are performed by Mr. Chen Xiangyu. Owing to his background, qualification and experience in relation to the Company, Mr. Chen Xiangyu is regarded as the best candidate for assuming the dual roles. The Board considers Mr. Chen Xiangyu's assumption of the dual roles enables the Company to maintain the consistency of the Company's policies and the stability and efficiency of the Company's operations, which is proper and in the best interests of the Company.

During the daily operations of the Company, all material decisions are approved by the Board and the relevant board committees, as well as the senior management team. In addition, the Directors proactively participate in all the board meetings and the relevant board committee meetings, and the chairman ensures all the Directors are duly informed of all the matters to be approved at the meetings. In addition, the senior management team provides the Board with sufficient, clear, complete and reliable company information on a regular basis and from time to time. The Board also regularly meets and reviews the operations of the Company under the leadership of Mr. Chen Xiangyu on a quarterly basis.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. The arrangement will have no effect on the balance of power and authority between the Board and the Company's senior management team. The Board will continue to regularly monitor and review the Company's current structure and to make necessary changes when appropriate.

Save as disclosed above, the Company has complied with all applicable code provisions of the CG Code for the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended June 30, 2021.

INTERIM DIVIDEND

The Board did not propose any interim dividends for the six months ended June 30, 2021 (for the six months ended June 30, 2020: Nil).





AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”), which mainly comprised independent non-executive Directors, namely Mr. Zhang Weining (Chairman), Mr. Zhang Han, Ms. Yu Bin and Mr. Li Xintian. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting process and internal controls.

The Audit Committee, together with the Auditor, has reviewed the Group’s consolidated interim results for the six months ended June 30, 2021 and the 2021 interim report. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the risk management, internal control and financial reporting matters.

CHANGES TO DIRECTORS’ INFORMATION

Save as disclosed in the 2020 Annual Report, during the six months ended June 30, 2021, there was no any change to Directors’ information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of the Rule 13.51(2) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2021, the Company repurchased 700,000 Shares and 901,200 Shares (a total of 1,601,200 Shares) on the Stock Exchange in January and April 2021 respectively for a total consideration (before expenses) of HKD6,140,717.64 as the Board considers that the value of the Shares of the Company does not reflect its intrinsic value and the Share repurchase reflects the Board’s confidence in the development prospects of the Company. As at June 29, 2021, together with the 2,600,000 Shares repurchased in December 2020, a total of 4,201,200 Shares have been cancelled.

Details of the repurchase are as follows:

Month	Total number of Shares repurchased	Highest purchase price per Share HK\$	Lowest purchase price per Share HK\$	Total consideration (before deduction of expenses) HK\$
January 2021	700,000	4.100	3.680	2,770,500.00
April 2021	901,200	3.765	3.720	3,370,217.64
	<u>1,601,200</u>			<u>6,140,717.64</u>

Save as disclosed above, the Company did not purchase, sell or redeem any of the Company’s listed securities for the six months ended June 30, 2021.





DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in Shares and Underlying Shares

Name of Directors	Capacity/Nature of Interest	Number of Shares Held ⁽⁶⁾	Approximate Percentage of Interest in the Company ⁽¹⁾⁽⁵⁾
Mr. Chen Xiangyu ("Mr. Chen") ⁽²⁾	Interest of controlled corporation	243,560,830 (L)	19.25%
	Beneficial owner	1,562,400 (L)	0.12%
Mr. Guan Song ("Mr. Guan") ⁽³⁾	Interest of controlled corporation	47,337,220 (L)	3.74%
Mr. Jeffrey Lyndon Ko ("Mr. Ko") ⁽⁴⁾	Interest of controlled corporation	13,965,000 (L)	1.10%

Notes:

- (1) The percentages are calculated on the basis of 1,265,517,790 shares of the Company (the "Shares") in issue as at June 30, 2021.
- (2) Brilliant Seed Limited is wholly owned by Mr. Chen, who is therefore deemed to be interested in the Shares held by Brilliant Seed Limited.
- (3) Bubble Sky Limited is wholly owned by Mr. Guan, who is therefore deemed to be interested in the Shares held by Bubble Sky Limited.
- (4) Shipshape Holdings Limited is wholly owned by Mr. Ko, who is therefore deemed to be interested in the Shares held by Shipshape Holdings Limited.
- (5) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.
- (6) The letter "L" denotes the person's long position in such Shares.



**(ii) Interest in associated corporations**

Name of Directors	Associated Corporations	Capacity/Nature of Interest	Number of Shares Held	Approximate Percentage of Interest in the Company
Mr. Chen Xiangyu	Shenzhen Mengyu Technology Co. Ltd.	Beneficial owner	500,000 (L)	5.00%

Save as disclosed above, as at June 30, 2021, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2021 was the Group a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2021, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares Held⁽⁷⁾⁽⁸⁾	Approximate Percentage of Interest in the Company⁽¹⁾⁽⁶⁾
Brilliant Seed Limited ⁽²⁾	Beneficial owner	243,560,830 (L)	19.25%
Mr. Chen ⁽²⁾	Interest of controlled corporation Beneficial owner	243,560,830 (L) 1,562,400 (L)	19.25% 0.12%
Tencent Mobility Limited ⁽³⁾	Beneficial owner	235,999,300 (L)	18.65%
Tencent Holdings Limited ⁽³⁾	Interest of controlled corporation	235,999,300 (L)	18.65%
iDreamSky Technology Limited ⁽⁴⁾	Beneficial owner	138,838,975 (L)	10.97%
Dream Investment Holdings Limited ⁽⁴⁾	Interest of controlled corporation	138,838,975 (L)	10.97%
Dream Technology Holdings Limited ⁽⁴⁾	Interest of controlled corporation	138,838,975 (L)	10.97%





Name of Shareholders	Capacity/ Nature of Interest	Number of Shares Held ⁽⁷⁾⁽⁸⁾	Approximate Percentage of Interest in the Company ⁽¹⁾⁽⁶⁾
Bank of America Corporation	Interest of controlled corporation	176,613,247 (L)	13.96%
	Interest of controlled corporation	174,540,848 (S)	13.79%
Greater Bay Area Homeland Development Fund (GP) Limited ⁽⁵⁾	Interest of controlled corporation	87,153,552 (L)	6.89%
Greater Bay Area Homeland Investments Limited ⁽⁵⁾	Interest of controlled corporation	87,153,552 (L)	6.89%
Poly Platinum Enterprises Limited ⁽⁵⁾	Beneficial owner	87,153,552 (L)	6.89%

Notes:

- (1) The percentages are calculated on the basis of 1,265,517,790 shares of the Company (the “**Shares**”) in issue as at June 30, 2021.
- (2) Brilliant Seed Limited is wholly owned by Mr. Chen Xianyu (“**Mr. Chen**”). Under the SFO, Mr. Chen is deemed to be interested in the Shares held by Brilliant Seed Limited. As at June 30, 2021, Brilliant Seed Limited actually held 243,560,830 Shares, which was approximately 19.25% of interest in the Company.
- (3) Tencent Mobility Limited is a wholly owned subsidiary of Tencent Holdings Limited. Under the SFO, Tencent Holdings Limited is deemed to be interested in the Shares held by Tencent Mobility Limited.
- (4) iDreamSky Technology Limited is wholly owned by Dream Investment Holdings Limited, which is an exempted company incorporated with limited liabilities in the Cayman Islands and is in turn wholly owned by Dream Technology Holdings Limited. None of the shareholders of Dream Technology Holdings Limited hold one-third or more of the shareholding of Dream Technology Holdings Limited. Under the SFO, Dream Investment Holdings Limited and Dream Technology Holdings Limited are deemed to be interested in the Shares held by iDreamSky Technology Limited.
- (5) Poly Platinum Enterprises Limited is wholly owned by Greater Bay Area Homeland Development Fund LP, which is managed by Greater Bay Area Development Fund Management Limited. Greater Bay Area Homeland Development Fund (GP) Limited is the general partner of Greater Bay Area Homeland Development Fund LP. Greater Bay Area Homeland Development Fund (GP) Limited is in turn wholly owned by GBA Homeland Limited which is wholly owned by Greater Bay Area Homeland Investments Limited. Under the SFO, Greater Bay Area Homeland Development Fund (GP) Limited and Greater Bay Area Homeland Investments Limited are deemed to be interested in the Shares held by Poly Platinum Enterprises Limited.
- (6) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.
- (7) The letter “L” denotes the person’s long position in such Shares.
- (8) The letter “S” denotes the person’s short position in such Shares.

Save as disclosed above, as at June 30, 2021, the directors were not aware of any persons (who were not directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.





SHARE OPTION SCHEME

From the Listing Date to June 30, 2021, no share option scheme was made by the Company, and there is no specific provision under the Articles of Association or the Cayman Islands laws regarding the share option scheme.

RSU PLAN

The Board has approved the RSU Plan on May 10, 2018, and the RSU Plan shall be valid and effective for a period of ten years commencing from the adoption date of May 10, 2018. Certain principal terms and details of the RSU Plan are summarized as follows:

Purpose

The purpose of the RSU Plan is to recognize and reward the Participants for their contributions to our Group, to attract the best available personnel, and to provide additional incentives to them to remain with and further promote the success of our Group's business.

Eligible Participants

Those eligible to participate in the RSU Plan (the "**Participants**") include (a) full-time employees (including directors, officers and members of senior management) of our Group; and (b) any person that, in the opinion of the Administrator, has contributed or will contribute to any member of our Group (including contractors, advisors or consultants of any member of our Group).

Maximum Number of Shares

Unless otherwise duly approved by our shareholders, the total number of Shares underlying the RSU Plan (the "**RSU Limit**") shall not exceed the aggregate of 8,627,045 Shares, representing 7.55% of the issued Shares of our Company as of the adoption date of the RSU Plan (on a fully diluted and as-converted basis assuming all our Shares underlying the RSU Plan have been issued). For the avoidance of doubt, the RSU Limit excludes the Shares underlying the RSUs that have lapsed or have been cancelled in accordance with the RSU Plan. Upon the completion of the Global Offering and the Capitalization Issue (as defined in the Prospectus), the number of the Shares held by the RSU Holding Entities shall be 86,270,450* Shares.

Administration

The RSU Plan shall be subject to the administration of the administrator, being Ms. Chen Xiangjiao (or other members appointed by the Board) (the "**Administrator**") to administer the RSU Plan. The Administrator may, from time to time, select the Participants to whom a restricted stock unit (the "**Awards**") may be granted.

The Administrator shall have the sole and absolute right to (a) interpret and construe the provisions of the RSU Plan, (b) determine the persons who will be granted Awards under the RSU Plan, the terms and conditions of the Awards granted and when the RSUs granted pursuant to the RSU Plan may vest except in the case where the persons who will be granted Awards are the directors and senior management of our Company (the "**Directors and Senior Management**"), the Administrator shall determine the Awards (including the terms and conditions on which Awards are granted and when the RSUs granted pursuant to the RSU Plan may vest) to be granted to the Directors and Senior Management only in accordance with the written resolutions by more than 50% of the members of the remuneration committee of the Board, (c) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Plan as it deems necessary, and (d) make such other decisions or determinations as it shall deem appropriate in the administration of the RSU Plan.

Award of RSUs

The Administrator may, from time to time, select the Participants to whom an Award may be granted. The consideration payable by a selected Participant for acceptance of the Award under the RSU Plan shall be determined at the sole and absolute discretion of the Administrator, and in any event shall be not less than the nominal value of our Shares. Subject to the terms of the RSU Plan, the Awards may be granted on such terms and conditions (such as linking the vesting of the RSUs to the attainment or performance of milestones by any member of our Group, the grantee or group of grantees).





No grant of Award shall be made to any selected Participant at a time when the selected Participant would or might be prohibited from dealing in our Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or laws. In addition, the Administrator may not grant any Award to any Participant if (i) the requisite approvals for the grant of Award from any applicable regulatory authorities have not been obtained; (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of such grant or in respect of the RSU Plan, unless the Administrator determines otherwise; (iii) where the grant of Award would result in a breach of any applicable securities laws, rules or regulations by any member of our Group or any of its directors; or (iv) the grant of Award would result in breach of the RSU Limit or other rules of the RSU Plan.

For so long as our Shares are listed on the Stock Exchange:

- (a) a grant of Award shall not be made after inside information has come to the knowledge of the Administrator until such inside information has been announced in accordance with the requirements of the Listing Rules, in particular, during the period commencing one month immediately preceding the earlier of: (i) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any such year, half-year, quarter or interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement;
- (b) a grant of Award to a Director shall not be made on any day on which the financial results of our Company are published and during the period of (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) 30 days immediately preceding the publication date of any quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results;
- (c) a grant of Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates (as defined in the Listing Rules), shall be subject to prior approval of the independent non-executive Directors (except the independent non-executive Director who is the proposed grantee of the Awards) and shall otherwise be subject to the requirements of the Listing Rules. However, if the Award forms part of the relevant Director's remuneration under his/her service contract, the grant of Award to such Director will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules. Awards shall not be assignable or transferable, except for (i) assignment or transfer from a grantee to a company wholly owned by him or between two companies both of which are wholly-owned by him/her; or (ii) following the grantee's death, transfer by will or by the laws of testacy and distribution.

Details of the RSUs granted under the RSU Plan

As at June 30, 2021, the aggregate number of Shares underlying RSUs granted under the RSU Plan was 92,616,224* Shares and the aggregate number of Shares underlying RSUs vested and forfeited under the RSU Plan was 54,550,921* Shares and 22,997,843* Shares, respectively. Any vested or unvested RSUs or any share underlying any RSUs shall not be transferred or sold before the Listing and during the period of six months following the Listing Date.

RSUs granted to the Participants other than our Directors, senior management and their associates

As at December 31, 2020, RSUs in respect of 74,242,723* Shares were granted to the Participants (who are not our Directors, senior management and the associates). During the six months ended June 30, 2021, RSU Holding Entities granted an aggregate of 5,351,381* Shares to the Participants (who are not our Directors, senior management and their associates), 885,681* Shares of which are attached with certain vesting conditions.

RSUs granted to our Directors, senior management and their associates

As at June 30, 2021, no RSUs were granted to our Directors under the RSU Plan. RSUs in respect of 1,594,650* Shares were granted to an associate of our Directors on July 1, 2018, and all such RSUs were vested on the same date.

* Upon the completion of the Global Offering and the Capitalization Issue (each share subdivided into 10 shares, as defined in the Prospectus).





SUBSEQUENT EVENTS

On July 2, 2021, the Company and Shenzhen Qianhai iDream Technology Co., Ltd. (“**Qianhai iDream**”) with Value Convergence Holdings Limited (00821.HK, “**Value Convergence**”) and a subsidiary of Value Convergence (collectively, the “**VC Group**”) entered into the Sale and Purchase Agreement, pursuant to which, Qianhai iDream agreed to sell the Dolphin Software, Rainbow Software and Nvwa Software to the VC Group, at the first consideration of RMB45,000,000. The Company agreed to sell 100% and 60%, respectively, of the equity interest in Dream Impression Holdings Limited and Shenzhen Zero One Zhi He Technology Co., Ltd. to the VC Group, at the second consideration of RMB28,000,000. The total consideration of RMB73,000,000 (equivalent to approximately HK\$87,320,574) will be settled by the allotment and issue of the 425,954,020 consideration shares by the Value Convergence to the Company at the issue price of HK\$0.205 per consideration share on the completion date. Upon the completion, the Company will hold approximately 19.98% of the issued share capital of the Value Convergence. Up to the date of this report, the transactions have not been completed.

On July 16, 2021 (“**Conversion Date**”), in the opinion of the holder, the 2023 Convertible Bonds were fully converted to 49,677,825 fully paid ordinary shares of the Company at a conversion price of HK\$4.69 per Share. Accordingly, the fair value of the 2023 Convertible Bonds as at the Conversion Date was transferred to share capital and share premium.





Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of iDreamSky Technology Holdings Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 78, which comprises the interim condensed consolidated statement of financial position of iDreamSky Technology Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 30, 2021

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Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021

	Notes	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenues	7	1,367,072	1,591,643
Cost of revenues	8	(848,302)	(906,850)
Gross profit		518,770	684,793
Selling and marketing expenses	8	(208,067)	(192,180)
General and administrative expenses	8	(128,760)	(122,088)
Research and development expenses	8	(163,599)	(112,489)
Net impairment losses on financial assets and contract assets	8	(33,279)	(35,845)
Other income	9	23,457	14,033
Other losses, net	9	(2,955)	(2,144)
Fair value (losses)/gains on financial assets at fair value through profit or loss	17	(19,692)	7,434
Operating (loss)/profit		(14,125)	241,514
Finance income	10	28,351	4,355
Finance costs	10	(65,722)	(48,347)
Finance costs, net	10	(37,371)	(43,992)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	24	(21,135)	(27,748)
Share of results of investments accounted for using the equity method	16	(8,211)	(2,450)
(Loss)/profit before income tax		(80,842)	167,324
Income tax credit/(expense)	11	12,886	(19,458)
(Loss)/profit for the period		(67,956)	147,866
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
— Currency translation differences		(14,190)	21,723
Items that may be reclassified to profit or loss			
— Currency translation differences		10,507	(18,878)
Total comprehensive (loss)/income for the period		(71,639)	150,711





Interim Condensed Consolidated Statement of Comprehensive Income



For the six months ended June 30, 2021

	Notes	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to:			
— Equity holders of the Company		(73,495)	136,986
— Non-controlling interests		5,539	10,880
		(67,956)	147,866
Total comprehensive (loss)/income attributable to:			
— Equity holders of the Company		(77,178)	139,831
— Non-controlling interests		5,539	10,880
		(71,639)	150,711
(Losses)/earnings per share			
— Basic (losses)/earnings per share (in RMB)	12	(0.06)	0.11
— Diluted (losses)/earnings per share (in RMB)	12	(0.06)	0.11

The accompanying notes on pages 36 to 78 form an integral part of this interim financial information.



Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2021

	Notes	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	43,946	29,880
Intangible assets	13	1,825,961	1,823,150
Investment properties	14	32,467	33,074
Right-of-use assets	15	104,704	106,015
Investments accounted for using the equity method	16	350,188	367,574
Financial assets at fair value through profit or loss	17	435,228	374,769
Prepayments and other receivables	19	117,684	118,662
Goodwill	13	73,222	73,222
Contract asset		299	1,192
Deferred tax assets		96,550	78,571
		3,080,249	3,006,109
Current assets			
Trade receivables	18	1,097,400	1,149,331
Amounts due from related parties	28	1,646	1,657
Prepayments and other receivables	19	1,632,747	1,506,821
Contract asset		271	980
Contract costs		119,513	194,462
Financial assets at fair value through profit or loss	17	72,944	105,872
Restricted cash	23	11,242	52,042
Cash and cash equivalents		386,790	735,567
		3,322,553	3,746,732
Total assets		6,402,802	6,752,841
EQUITY			
Equity attributable to equity holders of the Company			
Share capital and share premium and treasury shares	20	2,528,815	2,533,966
Reserves	21	755,748	731,683
Retained earnings		109,127	182,622
		3,393,690	3,448,271
Non-controlling interests		278,368	267,570
Total equity		3,672,058	3,715,841





Interim Condensed Consolidated Statement of Financial Position



As at June 30, 2021

	Notes	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	19,581	15,782
Convertible bonds classified as financial liabilities at fair value through profit or loss	24	225,367	206,308
Convertible bonds	24	384,512	367,874
Deferred government grants		60	1,847
		<u>629,520</u>	<u>591,811</u>
Current liabilities			
Borrowings	23	1,385,040	1,553,659
Lease liabilities	15	7,071	11,250
Trade payables	25	272,631	227,341
Amounts due to related parties	28	—	14,734
Other payables and accruals	26	221,165	281,447
Income tax liabilities		26,147	30,523
Deferred government grants		1,244	4,483
Contract liabilities		187,926	321,752
		<u>2,101,224</u>	<u>2,445,189</u>
Total liabilities		<u>2,730,744</u>	<u>3,037,000</u>
Total equity and liabilities		<u>6,402,802</u>	<u>6,752,841</u>

The accompanying notes on pages 36 to 78 form an integral part of this interim financial information.

On behalf of the Board

Chen Xiangyu
Director

Guan Song
Director



Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

(Unaudited)	Attributable to equity holders of the Company									
	Notes	Share capital and share premium and treasury shares	Capital reserves	Statutory reserves	Translation differences	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2021		<u>2,533,966</u>	<u>16,100</u>	<u>90,688</u>	<u>22,313</u>	<u>602,582</u>	<u>182,622</u>	<u>3,448,271</u>	<u>267,570</u>	<u>3,715,841</u>
Loss for the period		—	—	—	—	—	(73,495)	(73,495)	5,539	(67,956)
Other comprehensive loss		—	—	—	—	—	—	—	—	—
— Currency translation differences		—	—	—	(3,683)	—	—	(3,683)	—	(3,683)
Total comprehensive loss for the period		<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,683)</u>	<u>—</u>	<u>(73,495)</u>	<u>(77,178)</u>	<u>5,539</u>	<u>(71,639)</u>
Transactions with owners										
Share-based compensation expenses	22	—	—	—	—	27,748	—	27,748	—	27,748
Acquisition of treasury shares	20	(5,151)	—	—	—	—	—	(5,151)	—	(5,151)
Capital injection from non-controlling interests		—	—	—	—	—	—	—	5,259	5,259
Total transactions with owners recognized directly in equity for the period		<u>(5,151)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,748</u>	<u>—</u>	<u>22,597</u>	<u>5,259</u>	<u>27,856</u>
Balance at June 30, 2021		<u>2,528,815</u>	<u>16,100</u>	<u>90,688</u>	<u>18,630</u>	<u>630,330</u>	<u>109,127</u>	<u>3,393,690</u>	<u>278,368</u>	<u>3,672,058</u>

The accompanying notes on pages 36 to 78 form an integral part of this interim financial information.





Interim Condensed Consolidated Statement of Changes in Equity



For the six months ended June 30, 2021

(Unaudited)	Notes	Attributable to equity holders of the Company								
		Share capital and share premium and treasury shares	Capital reserves	Statutory reserves	Translation differences	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2020		2,542,551	16,100	79,527	33,525	250,502	635,353	3,557,558	388,035	3,945,593
Profit for the period		—	—	—	—	—	136,986	136,986	10,880	147,866
Other comprehensive income										
— Currency translation differences		—	—	—	2,845	—	—	2,845	—	2,845
Total comprehensive income for the period		—	—	—	2,845	—	136,986	139,831	10,880	150,711
Transactions with owners										
Profit appropriation to statutory reserves	21	—	—	16,627	—	—	(16,627)	—	—	—
Share-based compensation expenses	22	—	—	—	—	47,198	—	47,198	—	47,198
Total transactions with owners recognized directly in equity for the period		—	—	16,627	—	47,198	(16,627)	47,198	—	47,198
Balance at June 30, 2020		2,542,551	16,100	96,154	36,370	297,700	755,712	3,744,587	398,915	4,143,502

The accompanying notes on pages 36 to 78 form an integral part of this interim financial information.



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	Notes	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		1,462	77,184
Income taxes paid		(9,469)	(26,772)
Net cash (used in)/generated from operating activities		(8,007)	50,412
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment		13	—
Purchase of property, plant and equipment		(3,735)	(1,860)
Payment for construction in progress		(17,024)	(6,220)
Purchase of intangible assets		(165,294)	(295,621)
Loans to related parties	28(b)(vi)	—	(10,580)
Loans to third parties		(6,000)	(50,000)
Repayment of loans due from third parties		39,286	35,200
Investments in associates and joint ventures		(4,000)	(17,000)
Investments in financial assets at fair value through profit or loss		(5,000)	(2,124)
Proceeds from disposal of financial assets at fair value through profit or loss		24,974	13,212
Proceeds from income of financial assets at fair value through profit or loss		36	—
Proceeds from disposal of investments in associates		7,117	667
Payment of land use rights		—	(41,824)
Payment for acquisition of a subsidiary		(10,000)	—
Net cash used in investing activities		(139,627)	(376,150)
Cash flows from financing activities			
Proceeds from capital injection from non-controlling interests		5,259	—
Proceeds from borrowings		355,300	1,048,854
Repayment of borrowings		(518,108)	(672,439)
Changes in restricted cash		40,800	(51,787)
Repayment of loans due to a related party	28(b)(vii)	(2,528)	(2,210)
Net proceeds from the issuance of convertible bonds classified as financial liabilities at fair value through profit or loss	24	—	204,552
Payments for share repurchase	20	(5,151)	—
Principal elements of lease payments		(7,476)	(12,103)
Interest expenses paid		(64,035)	(47,592)
Net cash (used in)/generated from financing activities		(195,939)	467,275
Net (decrease)/increase in cash and cash equivalents		(343,573)	141,537
Cash and cash equivalents at the beginning of the period		735,567	532,746
Effects of exchange rate changes on cash and cash equivalents		(5,204)	1,104
Cash and cash equivalents at the end of the period		386,790	675,387

The accompanying notes on pages 36 to 78 form an integral part of this interim financial information.





For the six months ended June 30, 2021

1 GENERAL INFORMATION

iDreamSky Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on January 3, 2018 as an exempted company with limited liability. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”) are principally engaged in mobile game development and operating, and offline gaming device experiencing and retail in the People’s Republic of China (the “**PRC**” or “**China**”).

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**HKEX**”) since December 6, 2018.

This interim condensed consolidated financial information for the six months ended June 30, 2021 (“**Interim Financial Information**”) is presented in Renminbi (“**RMB**”), unless otherwise stated. This Interim Financial Information was approved for issue by the Board of Directors on August 30, 2021.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2020 (the “**2020 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), as set out in the 2020 annual report of the Company dated March 25, 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the 2020 Financial Statements and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The accounting policies applied are consistent with those of the 2020 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended IFRSs effective as of January 1, 2021.





For the six months ended June 30, 2021

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after January 1, 2021 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IFRS (amendment)	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1, and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
IFRS 17	Insurance contract	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments to standards and interpretations to the existing IFRSs.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2020 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended June 30, 2021.

(b) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalent. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.





For the six months ended June 30, 2021

4 FINANCIAL RISK MANAGEMENT (Continued)**(b) Liquidity risk** (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Above 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
(Unaudited)						
As of June 30, 2021						
Borrowings	1,456,308	—	—	—	1,456,308	1,385,040
Trade payables	272,631	—	—	—	272,631	272,631
Convertible bonds classified as financial liabilities at fair value through profit or loss	4,845	198,648	—	—	203,493	225,367
Convertible bonds	20,152	20,152	685,166	—	725,470	384,512
Lease liabilities	8,258	6,694	18,036	113	33,101	26,652
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	152,386	—	—	—	152,386	152,386
Total	1,914,580	225,494	703,202	113	2,843,389	2,446,588
(Audited)						
As of December 31, 2020						
Borrowings	1,643,125	—	—	—	1,643,125	1,553,659
Trade payables	227,341	—	—	—	227,341	227,341
Convertible bonds classified as financial liabilities at fair value through profit or loss	4,894	4,894	195,747	—	205,535	206,308
Convertible bonds	20,383	20,383	713,421	—	754,187	367,874
Lease liabilities	12,433	5,931	11,452	—	29,816	27,032
Amounts due to related parties	14,734	—	—	—	14,734	14,734
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	203,472	—	—	—	203,472	203,472
Total	2,126,382	31,208	920,620	—	3,078,210	2,600,420





For the six months ended June 30, 2021

4 FINANCIAL RISK MANAGEMENT (Continued)

(c) Capital managements

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, lease liabilities, amount due to related parties, interest payable, convertible bonds and convertible bonds classified as financial liabilities at fair value through profit or loss less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As of December 31, 2020, and June 30, 2021, the gearing ratio of the Group is 37.20% and 44.22% respectively.

(d) Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2020 and June 30, 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value as of December 31, 2020 and June 30, 2021.

(Unaudited) As of June 30, 2021	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:					
Financial assets at fair value through profit or loss	17	<u>72,944</u>	<u>—</u>	<u>435,228</u>	<u>508,172</u>
Liabilities:					
Convertible bonds classified as financial liabilities at fair value through profit or loss	24	<u>—</u>	<u>—</u>	<u>225,367</u>	<u>225,367</u>





For the six months ended June 30, 2021

4 FINANCIAL RISK MANAGEMENT (Continued)**(d) Fair value estimation** (Continued)

(Audited) As of December 31, 2020	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:					
Financial assets at fair value through profit or loss	17	105,872	—	374,769	480,641
Liabilities:					
Convertible bonds classified as financial liabilities at fair value through profit or loss	24	—	—	206,308	206,308

The following table presents the movement in level 3 financial instruments for the six months ended June 30, 2020 and 2021:

	Financial assets		Financial liabilities	
	Six months ended June 30,			
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At the beginning of the period	374,769	307,023	206,308	—
Additions	86,000	2,124	—	204,552
Disposals	(14,734)	(5,791)	—	—
Changes in fair value recognised in profit or loss	(9,383)	(10,440)	21,135	27,748
Currency translation differences	(1,424)	930	(2,076)	3,311
At the end of the period	435,228	293,846	225,367	235,611

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.





For the six months ended June 30, 2021

4 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

There was no transfer between level 1 and 2 for recurring fair value measurements. There were also no changes made to any of the valuation techniques applied during the six months ended June 30, 2020 and 2021.

Valuation processes of the Group (Level 3)

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team performs valuation, or necessary updates, at least once every six months. On an annual basis, the team adopts various techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

The components of the level 3 instruments mainly include investments in private investment funds and unlisted companies, convertible bonds, etc. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach, comparable transactions approach, and other option pricing models, etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimates of weighted average cost of capital (WACC), recent market transactions, discount for lack of marketability and other exposure, etc. The fair value of these instruments determined by the Group requires significant judgement, including the likelihood of non-performing by the investee company, financial performance of the investee company, market value of comparable companies as well as discount rate, etc.

Convertible bonds classified as financial liabilities at fair value through profit or loss issued by the Group are not traded in active market, and its fair value is determined by using valuation techniques. The Group determines the fair value of convertible bonds by using binomial model and make assumptions that are mainly based on market conditions existing at the end of each reporting period.





For the six months ended June 30, 2021

4 FINANCIAL RISK MANAGEMENT (Continued)**(d) Fair value estimation** (Continued)**Valuation processes of the Group (Level 3)** (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of convertible bonds classified as financial liabilities at fair value through profit or loss.

Key unobservable inputs (Unaudited)	Range of inputs at June 30, 2021	Change	Fair value change as of June 30, 2021 RMB'000
Dividend yield	0.00%	+5.00%	(3,958)
Volatility	39.48%	+5.00%	913
	39.48%	-5.00%	(999)
Risk-free rate	0.09%	+5.00%	2
	0.09%	-5.00%	(2)
Bond yield	17.71%	+5.00%	(1,016)
	17.71%	-5.00%	1,032
	Range of inputs at June 30, 2020	Change	Fair value change as of June 30, 2020 RMB'000
Dividend yield	0.00%	+5.00%	(5,096)
Volatility	37.63%	+5.00%	999
	37.63%	-5.00%	(1,278)
Risk-free rate	0.25%	+5.00%	14
	0.25%	-5.00%	(14)
Bond yield	21.47%	+5.00%	(1,972)
	21.47%	-5.00%	2,077





For the six months ended June 30, 2021

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2020 Financial Statements.

6 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the Group's Chief Operating Decision Makers ("**CODM**"). The Group's CODM has been identified as the Chief Executive Officer ("**CEO**"), who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. As a result of this evaluation, the CEO of the Group consider that the Group's operations are operated and managed on 3 reportable segments:

Game and information services

The segment of game and information services mainly includes (a) game distribution; (b) game development and co-operation; (c) in-game information services.

SaaS and other related services

The SaaS and other related services was primarily related to the Group's provision of a series of SaaS tools and the related services to the content developers.

Offline entertainment

The offline entertainment segment primarily offers gaming device experiencing and sales, game and cultural IP-themed sales of designer toys.

The CODM assesses the performance of the operating segments mainly based on segment revenues, cost of revenues, gross profit and segment results. The segment results are calculated as segment gross profit minus operating expenses (including selling and marketing expenses, general and administrative expenses and research and development expenses but excluding some unallocated portions) of each operating segment. Thus, segment result would present revenues, cost of revenues and gross profit for each segment, which is in line with CODM's performance review.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The revenue is mainly generated in the PRC.





For the six months ended June 30, 2021

6 SEGMENT INFORMATION (Continued)

The segment information and the reconciliation with profit/(loss) before income tax provided to the Group's CODM for the reportable segments for the six months ended June 30, 2020 and 2021 is as follows:

	Six months ended June 30, 2021			
	Game and information services <i>RMB'000</i> (Unaudited)	SaaS and other related services <i>RMB'000</i> (Unaudited)	Offline entertainment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenues	1,324,584	30,657	11,831	1,367,072
Cost of revenues	(835,642)	(6,757)	(5,903)	(848,302)
Gross profit	488,942	23,900	5,928	518,770
Segment results	118,992	(9,445)	(21,231)	88,316
<i>Reconciliation:</i>				
Unallocated operating expenses				(69,972)
Net impairment losses on financial assets and contract assets				(33,279)
Other income				23,457
Other losses, net				(2,955)
Fair value losses on financial assets at fair value through profit or loss				(19,692)
Finance income				28,351
Finance costs				(65,722)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss				(21,135)
Share of results of investments accounted for using the equity method				(8,211)
Loss before income tax				(80,842)





For the six months ended June 30, 2021

6 SEGMENT INFORMATION (Continued)

	Six months ended June 30, 2020			
	Game and information services <i>RMB'000</i> (Unaudited)	SaaS and other related services <i>RMB'000</i> (Unaudited)	Offline entertainment <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenues	1,566,818	22,545	2,280	1,591,643
Cost of revenues	(899,322)	(6,588)	(940)	(906,850)
Gross profit	667,496	15,957	1,340	684,793
Segment results	365,420	(20,170)	(8,978)	336,272
<i>Reconciliation:</i>				
Unallocated operating expenses				(78,236)
Net impairment losses on financial assets and contract assets				(35,845)
Other income				14,033
Other losses, net				(2,144)
Fair value gains on financial assets at fair value through profit or loss				7,434
Finance income				4,355
Finance costs				(48,347)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss				(27,748)
Share of results of investments accounted for using the equity method				(2,450)
Profit before income tax				167,324

The Company is domiciled in Cayman Islands while the Group's non-current assets and revenues are substantially located in and derived from the PRC, therefore, no geographical segments are presented.





For the six months ended June 30, 2021

7 REVENUES

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Game and information services revenues		
Game revenue	1,189,738	1,387,666
Information service revenue	130,754	177,872
Others	4,092	1,280
SaaS and other related services revenues	30,657	22,545
Offline entertainment revenues	11,831	2,280
	1,367,072	1,591,643

The timings of revenues recognition by category is as follows:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At a point in time	416,593	568,844
Over time	950,479	1,022,799
	1,367,072	1,591,643

There are two kinds of unsatisfied performance obligations as of June 30, 2021.

One is the sales of game tokens and virtual items where there is still an implied obligation to be provided by the Group. The Group has determined that it is obligated to provide on-going services to the game players over an average playing period of the paying players. The amount of such unsatisfied performance obligations had been reflected in contract liabilities as of the end of the reporting period.

The other one is the mobile game development service and game cooperation services including on-going updates of new contents and maintenance service under variable price contracts, such as based on the pre-agreed percentage of the net billing of the game. The amount can not be estimated under such variable price contracts.





For the six months ended June 30, 2021

8 EXPENSES BY NATURE

Expenses included in cost of revenues, selling and marketing expenses, general and administrative expenses, research and development expenses and net impairment losses on financial assets and contract assets are analyzed below:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Channel costs	569,941	634,101
Promotion and advertising expenses	182,106	186,965
Employee benefits expenses	171,181	189,190
Revenue share to content providers	139,636	175,045
Amortization of intangible assets (<i>Note 13</i>)	101,739	75,065
Technical and development services fee in relation to game development and others	66,315	6,329
Impairment provisions for intangible assets (<i>Note 13</i>)	36,542	4,922
Impairment provisions for financial assets and contract assets	33,279	35,845
Cloud computing, bandwidth and server custody fees	15,013	12,337
Professional service fees	14,648	18,552
Depreciation of right-of-use assets (<i>Note 15</i>)	8,873	11,033
Depreciation of property, plant and equipment (<i>Note 13</i>)	7,819	4,500
Travelling and entertainment expenses	7,017	6,025
Impairment provisions for prepayments	5,883	—
Cost of inventories	4,784	479
Other tax expenses	2,577	3,067
Short-term rental and utilities expenses	2,339	1,069
Depreciation of investment properties (<i>Note 14</i>)	607	387
Others	11,708	4,541
Total cost of revenues, selling and marketing expenses, administrative expenses, research and development expenses, net impairment losses on financial assets and contract assets	1,382,007	1,369,452





For the six months ended June 30, 2021

9 OTHER INCOME AND OTHER LOSSES, NET

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other income		
Government grants	17,010	9,652
Additional deduction of value-added tax	5,652	4,263
Rental income	795	118
	23,457	14,033
Other losses, net		
Impairment of investments in an associate <i>(Note 16(a))</i>	(12,335)	—
Net losses on disposal of property, plant and equipment	(311)	(72)
Net gains/(losses) on disposal of financial assets	866	(1,516)
Gains on disposal of investments in associates <i>(Note 16(a))</i>	6,526	—
Gains on disposal of subsidiaries	—	595
Others	2,299	(1,151)
	(2,955)	(2,144)

10 FINANCE COSTS, NET

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Finance costs:		
— Interest expenses on bank borrowings	(35,144)	(45,257)
— Exchange losses, net	—	(2,056)
— Interest expense on convertible bonds	(30,379)	—
— Interest expense on lease liabilities	(646)	(1,169)
— Interest capitalised	447	135
	(65,722)	(48,347)
Finance income:		
— Interest income on bank deposits	2,722	4,355
— Exchange gains, net	25,629	—
	28,351	4,355
Finance costs, net	(37,371)	(43,992)





For the six months ended June 30, 2021

11 TAXATION

Income tax (credit)/expense is recognised based on management's estimate of the annual income tax rates expected for the full financial year.

The income tax (credit)/expense of the Group for the six months ended June 30, 2020 and 2021 is analyzed as follows:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Current income tax	5,093	20,410
Deferred income tax	(17,979)	(952)
Income tax (credit)/expense	(12,886)	19,458

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in the PRC as follows:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
(Loss)/profit before income tax	(80,842)	167,324
Tax calculated at 25%	(20,211)	41,831
Tax effects of:		
— Preferential income tax rates applicable to subsidiaries on PRC and effects of different tax rates	20,462	(31,678)
— Income not subject to tax	—	(3,306)
— Expenses not deductible for income tax purposes	702	11,648
— Super deduction for research and development expenses	(16,872)	(16,129)
— Tax losses for which no deferred income tax asset was recognized	3,033	17,092
Income tax (credit)/expense	(12,886)	19,458

(a) Cayman Islands corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the six months ended June 30, 2021.





For the six months ended June 30, 2021

11 TAXATION (Continued)

(c) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

In 2019, Shenzhen iDreamSky Technology Co., Ltd. (“**Shenzhen iDreamSky**”) renewed its qualification as a “High and New Technology Enterprise” (“**HNTE**”), and it is subject to a reduced preferential EIT rate of 15% for 3-year period from 2019 to 2021 according to the preferential tax treatment applicable to the HNTE.

Qianhai Chuangyi Shikong Technology (Shenzhen) Co., Ltd. (“**Chuangyi Shikong**”) and Shenzhen Qianhai iDream Technology Co., Ltd. (“**Qianhai iDream**”) were established in Qianhai, Bonded Zone of Shenzhen in October 2014 and April 2018 respectively, which were subject to an applicable tax rate of 15%, as they met the requirements set out by local authorities for the preferential tax rate.

Horgos iDreamSky Information Technology Co., Ltd. (“**Horgos iDreamSky**”) was established in Horgos Development Zone of Xinjiang in June 2016, which was exempt from EIT from the first year of operation for a 5-year period according to the regulations set out by the local authorities. Since Horgos iDreamSky operated in 2016, the tax exemption period commenced from the year of 2016 and was subject to an applicable tax rate of 15% from the year of 2021.

Tianjin Huohun Internet Technology Co., Ltd. (“**Tianjin Huohun**”, formerly named Shanghai Huohun Internet Technology Co., Ltd.) acquired the qualification of Software Enterprise in 2019 and is entitled to an exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from its first profitable year of 2019 according to an announcement released by tax bureau in May 2019.

Tianjin Shengting Information Technology Co., Ltd. (“**Tianjin Shengting**”, formerly named Shanghai Shengting Information Technology Co., Ltd.) acquired the qualification of Software Enterprise in 2018, and was tax exempted from EIT in 2018 and 2019. From 2020 to 2022, Tianjin Shengting is subject to 50% reduction of applicable tax rates.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits.

(d) PRC Withholding Tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period.





For the six months ended June 30, 2021

12 (LOSSES)/EARNINGS PER SHARE AND DIVIDENDS**(a) (Losses)/earnings per share****(i) Basic**

	Six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(73,495)	136,986
Weighted average number of shares in issue (thousands)	1,233,186	1,217,467
Basic (losses)/earnings per share (in RMB)	(0.06)	0.11

Basic (losses)/earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the respective period, excluding ordinary shares purchased by the Group and held as treasury shares (Note 20).

(ii) Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume all dilutive potential ordinary shares.

	Six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(73,495)	136,986
Weighted average number of shares in issue (thousands)	1,233,186	1,217,467
Adjustments for employee incentive plan and convertible bonds (thousands)	—	39,652
Weighted average number of shares for calculating diluted (losses)/earnings per share (thousands)	1,233,186	1,257,119
Diluted (losses)/earnings per share (in RMB)	(0.06)	0.11

As the Group incurred losses for the six months ended June 30, 2021, the impact of employee incentive plan, convertible bonds and convertible bonds classified as financial liabilities at fair value through profit or loss was not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the six months ended June 30, 2021 are the same as basic losses per share.

(b) Dividends

The Board of Directors resolved that no interim dividend shall be declared for the six months ended June 30, 2021 (during the six months ended June 30, 2020: nil).





For the six months ended June 30, 2021

13 PROPERTY, PLANT AND EQUIPMENT (PP&E), CONSTRUCTION IN PROGRESS, INTANGIBLE ASSETS AND GOODWILL

	PP&E RMB'000	Construction in progress RMB'000	Intangible assets RMB'000 (Note a)	Goodwill RMB'000 (Note b)
(Unaudited)				
Six months ended June 30, 2021				
Opening net book amount	17,742	12,138	1,823,150	73,222
Additions	3,735	18,475	143,299	—
Disposals	(325)	—	—	—
Depreciation/amortisation charge	(7,819)	—	(101,739)	—
Impairment	—	—	(36,542)	—
Foreign currency translation	—	—	(2,207)	—
Closing net book amount	<u>13,333</u>	<u>30,613</u>	<u>1,825,961</u>	<u>73,222</u>
(Unaudited)				
Six months ended June 30, 2020				
Opening net book amount	31,712	—	1,419,264	566,902
Additions	1,896	6,355	286,128	—
Disposals	(120)	—	—	—
Depreciation/amortisation charge	(4,500)	—	(75,065)	—
Impairment	—	—	(4,922)	—
Closing net book amount	<u>28,988</u>	<u>6,355</u>	<u>1,625,405</u>	<u>566,902</u>

As of December 31, 2020 and June 30, 2021, the Group's certain game intellectual properties and licenses with net book amounts of RMB8,923,000 and RMB6,044,000 respectively were pledged to a bank to secure certain bank borrowings of the Group (Note 23).

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment whenever there is any indication of impairment or annually at year-end (December 31). Non-financial assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Except for below, there was no indication of impairment for property, plant and equipment, construction in progress, and other intangible assets.

(a) Impairment for intangible assets

The impairment for intangible assets mainly represents impairment of game intellectual properties and licenses and is the excess amount of the carrying amount of the game intellectual properties and licenses fees to the game developers over the expected game revenue to be generated in the remaining contractual period. The management estimated the expected game revenue with reference to those games' gross billings trend, the monthly active users and paying ratio over the past period.

During the six months ended June 30, 2021, certain game intellectual properties and licenses which belong to the segment of game and information services were fully impaired and impairment loss on intangible assets of RMB36,542,000 were charged to statement of comprehensive income, as the contract for certain games have expired or terminated prior to June 30, 2021 and the Group was not intend to reach the extension agreements with game developers.





For the six months ended June 30, 2021

13 PROPERTY, PLANT AND EQUIPMENT (PP&E), CONSTRUCTION IN PROGRESS, INTANGIBLE ASSETS AND GOODWILL (Continued)

(b) Impairment test for goodwill

On August 7, 2018, the Group acquired 70% of the issued share capital of Tianjin Huohun, an internet technology company mainly engaged in developing mobile games in mainland China. The goodwill amounting to RMB989,233,000 arising from the acquisition of 70% equity interests in Tianjin Huohun.

According to the agreement for the acquisition of Tianjin Huohun (“**Tianjin Huohun SPA**”), if the pre-determined profit target amount of RMB300,000,000 is not achieved by Tianjin Huohun from June 1, 2018 to May 31, 2019 (“**Performance Appraisal Period**”), the sellers shall compensate the Group according to the pre-determined mechanism/formula. The net profit of Tianjin Huohun during the Performance Appraisal Period was RMB210,000,000. Under the compensation mechanism pursuant to the Tianjin Huohun SPA, the Group has the right to acquire the remaining 30% equity interest of Tianjin Huohun at a consideration of RMB1.

On May 3, 2019, the Group and the sellers entered into a supplemental agreement to receive cash compensation from the sellers instead of acquisition of 30% equity interest, which can offset the unpaid consideration to sellers. Pursuant to the supplemental agreement, the compensation is RMB315,000,000. The difference of RMB294,911,000 between RMB315,000,000 and the amount of contingent consideration assets of RMB20,089,000 recognised at the acquisition date and as of December 31, 2018 was recognised as other gains for the year ended December 31, 2019.

The management consider Tianjin Huohun as a separate CGU (the “**Tianjin Huohun CGU**”) and the goodwill is allocated to the Tianjin Huohun CGU. The Recoverable amount of the Tianjin Huohun CGU is determined based on the value in use calculations as of December 31, 2020 and June 30, 2021. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a six-year period. Cash flows beyond the six-year period are extrapolated using the estimated terminal growth rates stated below.

Based on management’s assessment on the recoverable amounts of the Tianjin Huohun CGU as of December 31, 2019 and 2020, the total impairment loss of RMB916,011,000 on goodwill was charged to consolidated statement of comprehensive income for the year ended December 31, 2019 and 2020.

The key parameters used for value-in-use calculations are as follows:

Key assumptions	As of June 30, 2021 (Unaudited)	As of December 31, 2020 (Audited)
Average revenue growth rate during the forecast period	-6.16%	-5.34%
Earnings before interest, taxes, depreciation and amortisation (“ EBITDA ”) margin during the forecast period	33.21%–73.75%	41.30%–59.47%
Terminal growth rate	3.00%	3.00%
Pre-tax discount rate	30.74%	30.15%





For the six months ended June 30, 2021

13 PROPERTY, PLANT AND EQUIPMENT (PP&E), CONSTRUCTION IN PROGRESS, INTANGIBLE ASSETS AND GOODWILL (Continued)**(b) Impairment test for goodwill** (Continued)**(i) Average revenue growth rate**

The average revenue growth rate is estimated with reference to the industry growth forecast for the market in which Tianjin Huohun operates. When estimating the revenue growth rate during the forecast period, the management of the Company is of the view that the revenue growth would decrease slightly as compared to that as of December 31, 2020.

(ii) EBITDA margin

The EBITDA margin of the six years ranged between 33.21% and 73.75% (Year ended December 31, 2020: 41.30% and 59.47%) was determined by the management based on past performance, the current market conditions and its expectation for market development.

(iii) Terminal growth rate

Cash flows beyond the six-year period are extrapolated using the estimated terminal growth rates of 3.00% as of December 31, 2020 and June 30, 2021.

(iv) Pre-tax discount rate

The pre-tax discount rate reflects market assessments of the time value and the risks specific to the goodwill for which the future cash flow estimates have not been adjusted. With the assistance of a third-party independent valuer, management assessed that the pre-tax discount rate for the impairment assessment as of June 30, 2021 would be 30.74% which was slightly higher than 30.15% used as of December 31, 2020 because of the increase in company specific risk as a result of worse than expected performance against last year forecast, which impose additional uncertainty on the achievement of financial projection, net off by the impact from the drop in other market factors.

Based on management's assessment on the recoverable amounts of the Tianjin Huohun CGU as of June 30, 2021, no further impairment loss on goodwill was required.

In addition, certain sensitive analysis was also prepared by the management of the Company. Had the estimated key assumptions during the forecast period been changed, the goodwill impairment amount will reverse/(increase) as below:

Assumptions	Changes in assumptions	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Revenue growth rate	Increase by 10%	(29,706)	(11,904)
	Decrease by 10%	—	11,202
EBITDA margin	Increase by 10%	—	13,153
	Decrease by 10%	(9,841)	(13,154)
Terminal growth rate	Increase by 10%	—	503
	Decrease by 10%	—	(493)
Pre-tax discount rate	Increase by 10%	(11,960)	(14,424)
	Decrease by 10%	—	17,758





For the six months ended June 30, 2021

14 INVESTMENT PROPERTIES

	Investment properties RMB'000 (Unaudited)
Six months ended June 30, 2021	
Opening net book amount	33,074
Depreciation charge (Note 8)	(607)
Closing net book amount	32,467
Six months ended June 30, 2020	
Opening net book amount	26,012
Depreciation charge (Note 8)	(387)
Closing net book amount	25,625

The investment properties are two buildings respectively located in Hainan Ecology Software Park and Changsha Xincheng Science Park for offices, held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sales and rental.

As of June 30, 2021, there were no investment properties of the Group were pledged to a bank to secure certain bank borrowings of the Group (Note 23) (December 31, 2020: RMB7,835,000).

15 LEASES

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Right-of-use assets		
Buildings	24,683	24,544
Land use rights	80,021	81,471
	104,704	106,015
Lease liabilities		
Current	7,071	11,250
Non-current	19,581	15,782
	26,652	27,032

Additions to the right-of-use assets during the six months ended June 30, 2021 were RMB19,615,000 (for the six months ended June 30, 2020: RMB103,552,000).

Disposals to the right-of-use assets during the six months ended June 30, 2021 were RMB10,604,000 (for the six months ended June 30, 2020: RMB19,302,000).





For the six months ended June 30, 2021

15 LEASES (Continued)**(b) Amounts recognised in the statement of comprehensive income**

The statement of comprehensive income shows the following amounts relating to leases:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Depreciation charge of right-of-use assets		
Buildings	8,873	10,307
Land use rights	1,451	726
	10,324	11,033
Interest expense (included in finance cost)	646	1,169
Expense relating to short-term leases (included in cost of revenues and general and administrative expenses)	213	23

During the six months ended June 30, 2021, the depreciation of RMB8,873,000 from buildings was charged as profit or loss and RMB1,451,000 from land use rights was recognised in construction in progress.

During the six months ended June 30, 2021, the cash outflow about the principal element and interest element of lease payments was RMB7,476,000 and RMB646,000 respectively (for the six months ended June 30, 2020: RMB12,103,000 and RMB1,169,000), the cash outflow about payment for short-term and low-value lease was RMB213,000 (for the six months ended June 30, 2020: RMB23,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and shops. Rental contracts are typically made for fixed periods of 7 months to 5 years, but may have extension options as described in (e) below.

(d) Variable lease payments

Some lease contracts contain agreements that monthly payment is determined by the higher of fixed payments or variable payments. Fixed payments are stable in one or two years and increase in next years, while variable payments are calculated by percentage of gross revenue, usually 4% to 12%. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(e) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by the Group.





For the six months ended June 30, 2021

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Associates (a)	254,451	274,498
Joint ventures (b)	95,737	93,076
	350,188	367,574

(a) Investments in associates

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At the beginning of the period	274,498	316,888
Additions (i)	4,000	11,000
Disposals (ii)	(591)	(229)
Impairment (iii)	(12,335)	—
Share of results of the associates	(11,003)	(627)
Currency translation differences	(118)	570
At the end of the period	254,451	327,602

The Group directly hold ordinary shares of the associates. As of December 31, 2020 and June 30, 2021, the Group invested in 18 associates. The share of profits of the associates was not material to the Group. Therefore, in the opinion of the directors, none of the associates is material to the Group.

- (i) The Group made additional investments in existing associates, with an aggregate amount of RMB11,000,000 and RMB4,000,000 during the six months ended June 30, 2020 and 2021, respectively. These associates are principally engaged in online game business and other internet-related businesses.





For the six months ended June 30, 2021

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)**(a) Investments in associates** (Continued)

Set out below are the top 5 associates of the Group as of June 30, 2021 and as of December 31, 2020.

Name	Place of incorporation/ establishment	Registered Capital	Percentage of ownership interest attributable to the Group		Principal activities	Carrying amount RMB'000	
			December 31, 2020	June 30, 2021		December 31, 2020	June 30, 2021
			(Audited)	(Unaudited)		(Audited)	(Unaudited)
Zhejiang Yiyou Internet Technology Co., Ltd.	Zhejiang	RMB15,502,377	19.00%	19.00%	Software business	84,192	80,866
Beijing Weibo Technology Development Co., Ltd.	Beijing	RMB204,000	10.72%	10.72%	Software business	—	—
Nanjing Chuangyi Qiaokang Equity Investment Partnership Enterprise (Limited Partnership)	Nanjing	RMB200,000,000	49.50%	49.50%	Financing	57,825	60,859
Anhui Sichuang Sports Development Co., Ltd.	Anhui	RMB6,250,000	22.00%	22.00%	Culture, sports and entertainment	40,102	36,537
JTEA, INC.	Delaware	USD4,724	30.00%	30.00%	Software business	—	—

- (ii) On March 25, 2021, Shenzhen iDreamSky entered into the equity disposal agreement with Linzhi Tencent Investment Management Co., Ltd. ("**Linzhi Tencent**"), pursuant to which Shenzhen iDreamSky disposed approximately 4.99% of the equity interest in one associate of Shenzhen iDreamSky to Linzhi Tencent at a consideration of RMB6,750,000 and recognised a disposal gain of approximately RMB6,388,000.
- (iii) During the six months ended June 30, 2021, the Group made an impairment provision of RMB12,335,000 (during the six months ended June 30, 2020: nil) against the carrying amounts of one associate, based on the result of impairment assessment performed on the carrying amount against its respective recoverable amount. The impairment loss mainly resulted from serious deterioration of operation due to the inability to generate sufficient cash flow from existing games which were mainly at the end of the life cycle and the inability to launch new games due to lack of the licensed copyright.





For the six months ended June 30, 2021

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)**(b) Investments in joint ventures**

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At the beginning of the period	93,076	89,820
Additions	—	5,000
Share of results of the joint ventures	2,792	(1,823)
Currency translation differences	(131)	207
At the end of the period	95,737	93,204

Set out below are the joint ventures of the Group as of December 31, 2020 and June 30, 2021. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group.

Name	Place of incorporation/ establishment	Registered Capital	Percentage of ownership interest attributable to the Group		Principal activities	Carrying amount RMB'000	
			December 31, 2020 (Audited)	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	June 30, 2021 (Unaudited)
Dreamwalk Technologies Limited	Hong Kong	HKD 13,952,000	30.00%	30.00%	Software business	13,110	12,950
Shenzhen iDreamSky Venture Investment Partnership (Limited Partnership)	Shenzhen	RMB 304,000,000	50.00%	50.00%	Venture capital business	64,593	63,939
Shenzhen Mengzuofang Technology Limited	Shenzhen	RMB 1,000,000	37.50%	33.75%	Software business	5,445	8,914
Tianjin Wenmeng Interactive Entertainment Co., Ltd.	Tianjin	RMB 10,000,000	50.00%	50.00%	Performance brokerage agency	5,028	5,035
Tianjin Lewei Shidai Culture Development Co., Ltd.	Tianjin	RMB 10,000,000	49.00%	49.00%	Film and television program planning	4,900	4,900





For the six months ended June 30, 2021

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Included in non-current assets		
At the beginning of the period	374,769	354,320
Additions	86,000	2,124
Changes in fair value	(9,383)	(1,926)
Disposal	(14,734)	(10,440)
Currency translation differences	(1,424)	1,652
At the end of the period	435,228	345,730
Included in current assets		
At the beginning of the period	105,872	114,544
Changes in fair value	(10,309)	9,360
Disposal	(21,581)	—
Currency translation differences	(1,038)	1,747
At the end of the period	72,944	125,651

The Group's financial assets at fair value through profit or loss comprised debt securities hold by the Group and some investments in unlisted and listed entities mainly operated in the PRC, USA and Korea.

The debt securities were the investments which were made in the investees in form of convertible redeemable preferred shares. The preferred shares are convertible into ordinary shares anytime at the option of the holder, or automatically in the event of an initial public offering ("IPO") of the investees. The preferred shares are redeemable at the option of the Group if there is no IPO of investees after several years from the dates of investment. Based on the status of investees, the Group considers the redemption clause is substantive, and therefore has accounted for the investment in those investees as financial assets at fair value through profit or loss.

The investments in unlisted entities represented the Group's certain minority interests in private companies. These companies are engaged in technology, game developing and other internet-related services.





For the six months ended June 30, 2021

18 TRADE RECEIVABLES

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Third parties	1,168,253	1,193,377
Related parties (Note 28(c)(ii))	29,989	53,923
	1,198,242	1,247,300
Less: provision for impairment	(100,842)	(97,969)
	1,097,400	1,149,331

- (a) The credit terms of trade receivables granted by the Group are generally 3 months. Aging analysis based on recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Within 3 months	302,226	461,593
3 months to 1 year	642,047	542,880
1 to 2 years	244,124	222,792
2 to 3 years	9,272	12,559
Over 3 years	573	7,476
	1,198,242	1,247,300

- (b) Movements in the provision for impairment of trade receivables as follows:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At the beginning of the period	97,969	57,194
Provision for impairment	35,314	31,718
Receivables written off during the period as uncollectible	(16,373)	(19,652)
Reversal	(16,068)	(3,614)
At the end of the period	100,842	65,646

The majority of the Group's trade receivable were denominated in RMB.

As of June 30, 2021, the carrying amounts of the accounts receivable were approximate to their fair values.





For the six months ended June 30, 2021

18 TRADE RECEIVABLES (Continued)

- (c) As of December 31, 2020 and June 30, 2021, trade receivables of RMB257,102,000 and RMB361,862,000 respectively were pledged to secure certain bank facilities granted to the Group (Note 23).

19 PREPAYMENTS AND OTHER RECEIVABLES

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Included in non-current assets		
Non-current portion of loans to third parties (d)	119,881	117,575
Non-current portion of loan to employees (a)	1,977	2,687
Prepayment for intangible assets	1,365	—
Less: provision for impairment (e)	(5,539)	(1,600)
	117,684	118,662
Included in current assets		
Prepaid revenue sharing to content providers (c)	1,180,078	1,119,504
Prepaid advertising expenses (b)	232,854	129,595
Current portion of loans to third parties (d)	119,220	156,488
Recoverable value-added tax	44,651	41,035
Rental and other deposits	5,860	6,995
Current portion of loan to employees (a)	5,727	5,562
Prepayment to related parties (Note 28(c)(v))	4,655	11,518
Others	63,580	50,937
Less: provision for impairment (e)	(23,878)	(14,813)
	1,632,747	1,506,821

As of June 30, 2021, there were no significant balances that are past due.

- (a) Loans to employees mainly represent advances to employees for various expenses to be incurred in the ordinary course of business and housing loans to certain employees. These loans are unsecured, interest-free and to be repaid in 1 to 5 years from the grant dates.
- (b) The Group engaged various online advertising suppliers and made prepayments in exchange for better advertising opportunities and resources in some arrangements. Such amounts are recognized as "selling and marketing expenses" when the advertising services are rendered.
- (c) The prepaid revenue sharing to game developers is for the services to be rendered by game developers when the Group operates the third party developed games for certain period of time in certain countries. Such amounts are recognized as 'cost of revenues' when relevant revenue is recognized.
- (d) Loans to third parties represents the loans provided to a number of third parties, which were unsecured, interest free except that two loans were interest-bearing fixed rate ranging from 4.35% to 10% per annum and secured by shares of the debtors' subsidiary. In the opinion of the directors, except for an interest-bearing loan amounting to RMB90,000,000, none of the loans to any single third parties is material to the Group during the six months ended June 30, 2021.





For the six months ended June 30, 2021

19 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

- (e) The provision for impairment comprises the impairment for prepayments and other receivables. The movements in the provision for impairment of prepayments as follows:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At the beginning of the period	9,873	14,370
Provision for impairment	5,883	—
Written off during the period	(5,883)	—
At the end of the period	9,873	14,370

The impairment provision mainly represents impairment of prepaid revenue sharing to game developers, which is primarily related to certain games licensed by the Group which did not operate well or align with the Group's future strategy. The provision is the excess amount of the carrying amount of the unearned pre-paid revenue sharing to game developers over the expected game revenue to be generated in the remaining contractual period. The management estimates the expected revenue sharing with reference to those games' gross billings trend, the monthly active users and paying ratio over the past period.

During the six months ended June 30, 2021, an impairment provision of RMB5,883,000 was provided for certain games of the Group(during the six months ended June 30, 2020: nil), among which 5 games have expired prior to June 30, 2021 and the Group was not intend to reach the extension agreements with game developers, none of them was considered individually material to the Group.

20 SHARE CAPITAL AND SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Total RMB'000	Treasury shares RMB'000	Group total RMB'000
(Unaudited)							
Authorised:							
As of December 31, 2020	<u>5,000,000,000</u>	<u>500</u>					
As of June 30, 2021	<u>5,000,000,000</u>	<u>500</u>					
Issued and fully paid:							
As of December 31, 2020	1,230,388,807	12	75	2,542,476	2,542,551	(8,585)	2,533,966
Shares vested for share incentive scheme (Note 22)	7,610,654	—	—	—	—	—	—
Acquisition of treasury shares (a)	—	—	—	—	—	(5,151)	(5,151)
Cancellation of shares (a)	(4,201,200)	—	—	(13,736)	(13,736)	13,736	—
As of June 30, 2021	<u>1,233,798,261</u>	<u>12</u>	<u>75</u>	<u>2,528,740</u>	<u>2,528,815</u>	<u>—</u>	<u>2,528,815</u>





For the six months ended June 30, 2021

20 SHARE CAPITAL AND SHARE PREMIUM AND TREASURY SHARES (Continued)

	Number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Total RMB'000	Treasury shares RMB'000	Group total RMB'000
(Unaudited)							
Authorised:							
As of December 31, 2019	5,000,000,000	500					
As of June 30, 2020	5,000,000,000	500					
Issued and fully paid:							
As of December 31, 2019	1,209,947,501	12	75	2,542,476	2,542,551	—	2,542,551
Shares vested for share incentive scheme (Note 22)	11,537,867	—	—	—	—	—	—
As of June 30, 2020	1,221,485,368	12	75	2,542,476	2,542,551	—	2,542,551

- (a) During the six months ended June 30, 2021, the Group bought back a total of 1,601,200 (during the six months ended June 30, 2020: nil) ordinary shares of the Company that listed on the HKEX. The total amount paid to buy back these ordinary shares was HKD6,141,000 (equivalent to RMB5,151,000) (during the six months ended June 30, 2020: nil). These whole shares bought back during the period ended June 30, 2021 and December 31, 2020, were cancelled on June 29, 2021, and resulted in the decrease in the Company's share capital and share premium of RMB13,736,000.

21 RESERVES

	Notes	Capital reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Total reserves RMB'000
(Unaudited)						
As of December 31, 2020						
		16,100	90,688	22,313	602,582	731,683
Share-based compensation expenses	22	—	—	—	27,748	27,748
Currency translation differences		—	—	(3,683)	—	(3,683)
As of June 30, 2021						
		16,100	90,688	18,630	630,330	755,748
(Unaudited)						
As of December 31, 2019						
		16,100	79,527	33,525	250,502	379,654
Share-based compensation expenses	22	—	—	—	47,198	47,198
Profit appropriation to statutory reserves		—	16,627	—	—	16,627
Currency translation differences		—	—	2,845	—	2,845
As of June 30, 2020						
		16,100	96,154	36,370	297,700	446,324





For the six months ended June 30, 2021

22 SHARE-BASED PAYMENTS

(a) 2014 Share Incentive Plan

iDreamSky Technology Limited, the original overseas holding company of Shenzhen iDreamSky, adopted a share incentive plan in June 2014 (“**2014 Share Incentive Plan**”) to grant restricted shares and share options to the Group’s employees for the purpose of attracting and retaining the best available personnel, to provide additional incentives to employees and directors to promote the success of business.

The initial maximum number of ordinary shares that may be issued under the 2014 Share Incentive Plan is 15,169,920 shares which accounted for 12% of iDreamSky Technology Limited’s ordinary shares.

(i) **Restricted shares**

As of January 1, 2015, 13,026,080 restricted shares have been granted to certain directors and employees of the Shenzhen iDreamSky. On April 1, 2015, additional 4,833,450 restricted shares have been granted to certain directors and employees of Shenzhen iDreamSky. The weighted-average grant-date fair value on April 1, 2015 is USD1.72 per share, which is the closing share price of iDreamSky Technology Limited.

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

The vesting period of the restricted shares and share options granted is 4 years and the vesting schedules is 25% after 12 months from original grant date, and the remaining 75% will vest in 3 equal installments over the next 3 years.

As part of privatization of the original overseas holdings company of Shenzhen iDreamSky, iDreamSky Technology Limited, and the restructuring made by Shenzhen iDreamSky, the unvested restricted shares and share options under 2014 Share Incentive Plan has been canceled. As a return, the relevant grantees’ interests were transferred to the new share incentive plan as disclosed in below note (b).

(b) 2017 Restricted Shares Scheme

On April 30, 2017, as a return of the cancellation of aforesaid unvested restricted shares and share options under 2014 Share Incentive Plan, the relevant grantees became the limited partners of two new established limited liability partnerships, namely Ningbo Meishan Bonded Port Ziheng Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區資恒投資管理合夥企業(有限合夥)) and Ningbo Meishan Bonded Port Mengweixing Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區夢維興投資管理合夥企業(有限合夥)) (“**2017 Restricted Shares Scheme**”), and which also became the shareholders of Shenzhen iDreamSky.

Such arrangement was accounted for as the continuance of the original 2014 Share Incentive Plan. Since the relevant vesting conditions attached to original granted restricted shares and share options were removed during aforesaid arrangement, the remaining share-based compensation expenses related to those restricted shares and share options were recognized into the statement of comprehensive income immediately in 2017.

Furthermore, certain employees obtained the partnership units, as limited partners, of aforesaid two partnership at a price lower than their fair value, such transaction was considered as equity-settled share-based payment to employees. The fair value of the partnership units granted to employees on grant date, April 30, 2017, as determined with reference to the financing from independent third parties which occurred on the same day. The Group recognize this share-based compensation expenses immediately as no vesting conditions attached.





For the six months ended June 30, 2021

22 SHARE-BASED PAYMENTS (Continued)

(b) 2017 Restricted Shares Scheme (Continued)

As part of the Reorganization, the Ningbo Meishan Bonded Port Ziheng Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區資恒投資管理合夥企業(有限合夥)) and Ningbo Meishan Bonded Port Mengweixing Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區夢維興投資管理合夥企業(有限合夥)) need to reduce its equity interests in Shenzhen iDreamSky. As a return, the relevant limited partners' interests of the aforesaid two partnerships were transferred to the new share incentive plan as disclosed in below note (c).

(c) 2018 Share Incentive Plan

On May 18, 2018, the Company issued and allotted an aggregate of 8,627,045 (86,270,450 shares after share split on December 6, 2018) shares to the RSU Holding Entities for employee incentive plan purpose. On July 1, 2018, RSU Holding Entities granted aggregate of 5,220,583 (52,205,830 shares after share split on December 6, 2018) shares to senior management and employees, among which aggregate of 2,913,310 (29,133,100 shares after share split on December 6, 2018) shares were granted to the relevant limited partners of the aforesaid two partnerships mentioned in note (b) as a return for their reduction of the equity interests in Shenzhen iDreamSky. Out of 2,913,310 (29,133,100 shares after share split on December 6, 2018) shares, 1,272,212 (12,722,120 shares after share split on December 6, 2018) shares are without vesting conditions and the remaining 1,641,098 (16,410,980 shares after share split on December 6, 2018) are attached some vesting conditions.

Out of the remaining 2,307,273 (23,072,730 shares after share split on December 6, 2018) shares, the vesting schedule is for 2,118,854 (21,188,540 shares after share split on December 6, 2018) shares 1/3 after 8 months from original grant date, and the remaining 2/3 will be vest in 2 equal installments over the next 2 years; and the vesting schedule for 188,419 is 48 months and the vesting schedule is 25% after 12 months from original grant date, and the remaining 75% will vest in 3 equal installments over the next 3 years.

During the year ended December 31, 2019, RSU Holding Entities granted aggregate of 16,492,066 shares to employees, among which 2,601,251 shares are without vesting conditions. Out of the remaining 13,890,815 shares, the vesting period for 75,362 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 6,855,065 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and the remaining 2/3 will vest in 2 in equal installments over the next 2 years; the vesting period for 6,960,388 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next years. The Group recorded RMB100,301,000 share-based compensation expense accordingly during the year ended December 31, 2019.

During the year ended December 31, 2020, RSUs Holding Entities granted aggregate of 18,566,947 shares to employees, among which 3,647,147 shares are without vesting conditions. Out of the remaining 14,919,800 shares, the vesting period for 112,779 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 24,000 shares is 2 years, and the vesting schedule is 50% after 12 months from original grant date and the remaining 50% will vest after 24 months from original grant date; the vesting period for 8,373,322 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 6,409,699 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next years. The Group recorded RMB89,460,000 share-based compensation expense accordingly during the year ended December 31, 2020.





For the six months ended June 30, 2021

22 SHARE-BASED PAYMENTS (Continued)**(c) 2018 Share Incentive Plan** (Continued)

During the six months ended June 30, 2021, RSU Holding Entities granted aggregate of 5,351,381 shares to employees, among which 4,465,700 shares are without vesting conditions. Out of the remaining 885,681 shares, the vesting period for 295,227 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 295,227 shares is 2 years, and the vesting schedule is 50% after 12 months from original grant date and the remaining 50% will vest after 24 months from original grant date; the vesting period for 295,227 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years.

The total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date. The Group recorded RMB27,748,000 share-based compensation expense accordingly during the six months ended June 30, 2021.

Movement in the number of awarded shares for the period ended June 30, 2020 and 2021 is as follows:

	Six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
At the beginning of the period	18,749,788	41,737,885
Granted	5,351,381	5,792,966
Vested	(7,610,654)	(11,537,867)
Forfeit	(1,423,055)	(2,193,287)
At the end of the period	15,067,460	33,799,697

23 BORROWINGS

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Secured long-term bank borrowings reclassified to current bank borrowings (a)(c)	721,116	935,865
Secured bank borrowings (a)	387,000	421,700
Current portion of long-term bank borrowings, secured (a)	223,924	152,068
Secured other borrowings (b)	30,000	44,026
Unsecured other borrowings	23,000	—
	1,385,040	1,553,659

The Group's long-term bank borrowings bear weighted average interest rate of 4.34% (2020: 4.54%) per annum, and the short-term bank borrowings bear weighted average interest rate of 5.06% (2020: 5.41%) per annum.





For the six months ended June 30, 2021

23 BORROWINGS (Continued)

(a) The pledge and guarantee related to bank borrowings is as follows:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Secured by		
(1) the pledge of certain trade receivables of a subsidiary of the Company		
(2) the deposit of EUR1,692,000		
(3) the shares of several oversea subsidiaries of the Company		
(4) the shares of a subsidiary of the Company (i)	592,040	725,482
Guaranteed by the Company, and/or certain subsidiaries of the Company	510,000	501,700
Secured by the pledge of assets of the Group (including trade receivables, intellectual properties and licenses or term deposits), and/or guaranteed by the Company and/or its subsidiaries	230,000	232,000
Guaranteed by a subsidiary of the Company and/or Mr. Chen Xiangyu and his spouse	—	50,000
Secured by the pledge of the land and buildings of a subsidiary of the Company and guaranteed by a subsidiary of the Company and an independent third party	—	451
	1,332,040	1,509,633

- (i) In March 2020, the Company entered into a three-year loan facility agreement with a bank, where a loan facility up to EUR92,000,000 (equivalent to RMB707,130,000) was made available to the Company. As of June 30, 2021, the loan balance of RMB592,040,000 net of transaction cost was borrowed from aforesaid loan facility agreement. Restricted cash of RMB10,969,000 is pledged deposit for this aforesaid loan.
- (b) In August 2020, a subsidiary of the Company entered into a one-year loan facility agreement with a financial institution, where a loan facility up to RMB30,000,000 was made available to that subsidiary. As of June 30, 2021, the loan balance of RMB30,000,000 was borrowed from aforesaid loan facility agreement. The loan carried a fixed rate of 4.96% per annum, and was secured by the pledge of certain game intellectual properties and licenses of the subsidiary and guaranteed by Shenzhen Hi Tech Investment and Financing Guarantee Co., Ltd. and Mr. Chen Xiangyu and his spouse.
- (c) The Group reclassified RMB586,116,000 long-term bank borrowings to current liabilities as the Group breached certain financial ratio requirements in the loan agreements as of June 30, 2021 (December 31, 2020: RMB791,865,000). The long-term bank borrowings of RMB135,000,000 (December 31, 2020: RMB144,000,000) were also reclassified to current liabilities due to the cross-default terms. These bank borrowings have not become due and payable as of June 30, 2021 (December 31, 2020: RMB144,000,000) and up to the date of this report, as the respective bank has not issued notice to the Group to require repayment of these bank borrowings.





For the six months ended June 30, 2021

23 BORROWINGS (Continued)

(d) The maturity of the Group's borrowings is as follows:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Within 1 year	1,385,040	1,553,659

24 CONVERTIBLE BONDS

(a) Convertible bonds classified as financial liabilities at fair value through profit or loss

On January 3, 2020 ("**Issue Date**"), the Company issued convertible bonds with face value of USD30,000,000 to Poly Platinum Enterprises Limited ("**Poly**") ("**2023 Convertible Bonds**"). The cash proceeds related to the issuance of RMB204,552,000 were received by the Group on January 6, 2020.

The 2023 Convertible Bonds were recognised and measured as financial liabilities at fair value through profit or loss. The fair value as of the Issue Date was of RMB204,552,000. During the six months ended June 30, 2021, the loss from changes in fair value of 2023 Convertible Bonds was RMB21,135,000 (during the six months ended June 30, 2020: RMB27,748,000). As of June 30, 2021, the fair value of 2023 Convertible Bonds is RMB225,367,000, which is determined by using valuation methodology with the use of unobservable inputs (level 3) (Note 4(d)).

The convertible bonds shall be matured on January 3, 2023 ("**Maturity Date**"). If agreed by the Company and Poly, the Maturity Date could be extended to five years from the Issue Date. The 2023 Convertible Bonds bear interest on the outstanding principal amount from and including the Issue Date at the rate of 2.5% per annum, payable semi-annually in arrears.

Pursuant to the subscription agreement, the 2023 Convertible Bonds, at the option of the holder, will be convertible (unless previously redeemed, converted or cancelled) on or after the Issue Date up to the close of business on the date falling ten days prior to the maturity date (the "**Conversion Period**") into fully paid ordinary shares with a par value of USD0.0001 each of the Company at an initial conversion price of HK\$4.69 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. No 2023 Convertible Bonds were converted into ordinary shares of the Company during the six months ended June 30, 2021.

On giving notice in accordance with the respective terms and conditions of the subscription agreement, at any time after 18 months from the Issue Date, and prior to the Maturity Date, the convertible bonds due may be redeemed up to 50% of the outstanding principal amount of the convertible bonds at the option of the Company.

The convertible bonds may be redeemed at the option of the Company or the holders pursuant to the respective terms and conditions under the subscription agreement. The convertible bonds may be redeemed at the option of the Company in whole but not in part for taxation reasons as described in the subscription agreement. The convertible bonds may be redeemed at the option of the holder following the occurrence of a relevant event described in the subscription agreement to request the Company to redeem all or some of the convertible bonds upon giving notice in accordance with the subscription agreement.





For the six months ended June 30, 2021

24 CONVERTIBLE BONDS (Continued)**(a) Convertible bonds classified as financial liabilities at fair value through profit or loss** (Continued)

Movement of the 2023 Convertible Bonds is set out as follows:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Opening balance	206,308	—
Issuance of convertible bonds	—	204,552
Fair value loss	21,135	27,748
Currency translation differences	(2,076)	3,311
Closing balance	225,367	235,611

(b) Convertible bonds

On October 6, 2020, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD775,000,000 (equivalent to approximately RMB673,312,000) due October 16, 2025 (the “**2025 Convertible Bonds**”), with an initial conversion price of HKD4.99 per share. The 2025 Convertible Bonds bear interest rate of 3.125% per annum, payable semi-annually, with maturity of 5 years from the issuance date and can be converted into shares of the Company at the holder’s option at any time on or after the date which is 41 days after the issuance date up to the close of business on the date falling seven days prior to the maturity date at an initial conversion price of HK\$4.99 per share. On October 16, 2020, the 2025 Convertible Bonds were issued.

The 2025 Convertible Bonds was recognised as liability component and equity component as follows:

- The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Group. Embedded financial derivatives, comprised the fair value of the option of the holders of the 2025 Convertible Bonds to require the Company to redeem the 2025 Convertible Bonds; and the fair value of the option of the Company to redeem the 2025 Convertible Bonds. These embedded early redemption options are closely related to the host debt as the redemption amount is principal amount together with accrued but unpaid interest, therefore they are not able to be accounted for separately. The initial value of the liability component and the fair value of the embedded redemption options were recognised as a single liability component, and it subsequently carried at amortised cost.
- Equity component, being the conversion option of the 2025 Convertible Bonds, initially recognised at the residual amount after deducting the value of the aforesaid single liability component from the net proceeds at the initial recognition.





For the six months ended June 30, 2021

24 CONVERTIBLE BONDS (Continued)**(b) Convertible bonds** (Continued)

Movement of the 2025 Convertible Bonds is set out as follows:

	Liability <i>RMB'000</i> (Unaudited)	Equity <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
As of January 1, 2021	367,874	262,620	630,494
Interest expenses (<i>Note 10</i>)	30,379	—	30,379
Coupon interests paid	(10,179)	—	(10,179)
Currency translation differences	(3,562)	—	(3,562)
As of June 30, 2021	384,512	262,620	647,132

Interest expense are calculated by applying the effective interest rate of 16.73% per annum to the liability component.

The 2025 Convertible Bonds are guaranteed by the Company.

As of June 30, 2021, there has been no conversion of the 2025 Convertible Bonds.

25 TRADE PAYABLES

Trade payables are primarily related to the purchase of services for server custody, game licenses, and the revenues collected by the Group which is to be shared to cooperated game developers according to respective cooperation agreements. The credit terms of trade payables granted to the Group are usually 3 months. The aging analysis of trade payable based on recognition date is as follows:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Within 3 months	130,188	109,436
3 months to 1 year	103,824	107,788
1 to 2 years	37,997	998
2 to 5 years	622	9,119
	272,631	227,341





For the six months ended June 30, 2021

26 OTHER PAYABLES AND ACCRUALS

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Other payables to related parties <i>(Note 28(c)(vi))</i>	135,946	146,010
Payroll and welfare payables	44,126	47,308
Other tax payables	24,653	30,667
Professional service fee payable	4,468	4,800
Advance from business partner	2,621	2,154
Interest Payable	279	327
Underwriting fee and upfront fee payable	—	18,458
Others	9,072	31,723
	221,165	281,447

27 COMMITMENTS

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Intangible assets	252,259	321,731
Construction in progress	171,912	189,970
	424,171	511,701





For the six months ended June 30, 2021

28 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group

Names of major related parties

Nature of relationship

Shenzhen Tencent Computer Systems Company Limited	Related party of a shareholder
Tencent Technology (Shenzhen) Company Limited	Related party of a shareholder
Tencent Cloud Computing (Beijing) Company Limited	Related party of a shareholder
Tencent Digital (Shenzhen) Co., Ltd.	Related party of a shareholder
Tencent Technology (Shanghai) Company Limited	Related party of a shareholder
Linzi Tencent Investment Management Co., Ltd.	Related party of a shareholder
Chongqing Tencent Information Technology Co., Ltd.	Related party of a shareholder
Shanghai Tencent Penguin Film Culture Communication Co., Ltd.	Related party of a shareholder
Shenzhen Tencent Animation Co., Ltd.	Related party of a shareholder
Hainan Tencent Network Information Technology Co., Ltd.	Related party of a shareholder
Beijing Sougou Information Service Co., Ltd.	Related party of a shareholder
Guangzhou Kugou Computer Technology Co., Ltd.	Related party of a shareholder
Tenpay Payment Technology Co., Ltd.	Related party of a shareholder
iDreamSky Technology Limited	Shareholder of the Company
Tianjin Lewei Shidai Culture Development Co., Ltd.	Joint venture of the Group
Shenzhen Mengzuofang Technology Co., Ltd.	Joint venture of the Group
Shenzhen iDreamSky Venture Investment Partnership (Limited Partnership)	Joint venture of the Group
Hengqin Chuangmeng Qida Equity Investment Enterprise (Limited Partnership)	Associate of the Group
Zhejiang Yiyou Internet Technology Co., Ltd.	Associate of the Group
Shanghai Shengxi Network Technology Co., Ltd.	Associate of the Group
Guangzhou Topcomm Media Advertising Co., Ltd.	Entity invested by a director of the Group
Mr. Jeffrey Lyndon Ko	A director of the Group

(b) Significant transactions with related parties

In addition to those disclosed elsewhere in these consolidated financial statements, the following transactions were carried out with related parties.

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

(i) Provide of services

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Related party of a shareholder	22,134	31,929
Entity invested by a director of the Group	—	20,769
	22,134	52,698





For the six months ended June 30, 2021

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**(b) Significant transactions with related parties** (Continued)**(ii) IP cooperation**

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Related party of a shareholder	7,934	—

(iii) Purchases of services

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Related parties of a shareholder	12,160	14,330

(iv) Revenue share to content providers

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Associate of the Group	76,766	21,858

(v) Licence fees of the QQfamily IPs

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Related party of a shareholder	629	—





For the six months ended June 30, 2021

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**(b) Significant transactions with related parties** (Continued)**(vi) Loan provided to related parties**

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loans to related parties:		
Associate of the Group	—	10,000
Joint venture of the Group	—	420
A director of the Group	—	160
	—	10,580

(vii) Loan from a related party

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Repayment to a related party:		
Associate of the Group	2,528	2,210

(viii) Proceeds from disposal of investments in an associate to a related party

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Related party of a shareholder	6,750	—





For the six months ended June 30, 2021

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**(c) Balances with related parties****(i) Amounts due from related parties**

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
A director of the Group	1,094	1,104
Joint venture of the Group	504	504
Associate of the Group	70	70
	1,668	1,678
Less: provision for impairment	(22)	(21)
	1,646	1,657

The above amount due from related parties were unsecured, interest-free and repayable on demand.

(ii) Trade receivables due from related parties

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Related parties of a shareholder	29,989	53,923

(iii) Amounts due to related parties

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Associate of the Group	—	14,734

The above amount due to a related party was unsecured, interest-free and repayable on demand.





For the six months ended June 30, 2021

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**(c) Balances with related parties** (Continued)**(iv) Trade payables due to related parties**

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Associate of the Group	24,055	1,363
Related parties of a shareholder	19,891	10,711
Joint venture of the Group	655	—
	44,601	12,074

(v) Prepayments to related parties

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Associates of the Group	4,655	11,498
Related party of a shareholder	—	20
	4,655	11,518

(vi) Other payables due to related parties

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Non-controlling shareholders of a subsidiary*	125,850	135,850
Associates of the Group	5,000	5,000
Joint venture of the Group	4,900	4,900
Related party of a shareholder	196	260
	135,946	146,010

* These balances are the unpaid consideration to the sellers for the acquisition of Tianjin Huohun.





For the six months ended June 30, 2021

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**(d) Key management personnel compensations**

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Wages, salaries and bonuses	2,883	2,594
Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	62	49
	2,945	2,643

29 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2020 and June 30, 2021.

30 SUBSEQUENT EVENTS

- (a) On July 2, 2021, the Company and Qianhai iDream with Value Convergence Holdings Limited (00821.HK, "**Value Convergence**") and a subsidiary of Value Convergence (collectively, the "**VC Group**") entered into the Sale and Purchase Agreement, pursuant to which, Qianhai iDream agreed to sell the Dolphin Software, Rainbow Software and Nvwa Software to the VC Group, at the first consideration of RMB45,000,000. The Company agreed to sell 100% and 60%, respectively, of the equity interest in Dream Impression Holdings Limited and Shenzhen Zero One Zhi He Technology Co., Ltd. to the VC Group, at the second consideration of RMB28,000,000. The total consideration of RMB73,000,000 (equivalent to approximately HK\$87,320,574) will be settled by the allotment and issue of the 425,954,020 consideration shares by the Value Convergence to the Company at the issue price of HK\$0.205 per consideration share on the completion date. Upon the completion, the Company will hold approximately 19.98% of the issued share capital of the Value Convergence. Up to the date of this report, the transactions have not been completed.
- (b) On July 16, 2021 ("**Conversion Date**"), in the opinion of the holder, the 2023 Convertible Bonds were fully converted to 49,677,825 fully paid ordinary shares of the Company at a conversion price of HK\$4.69 per share. Accordingly, the fair value of the 2023 Convertible Bonds as at the Conversion Date was transferred to share capital and share premium.





In this report, the following expressions have the meanings set out below unless the context otherwise requires:

“ARPG”	action role-playing game
“ARPPU” or “average revenue per paying user”	the average amount of game revenue that the Group generates from each paying user for a particular period refers to the game revenue divided by the average of the paying users during that period
“Articles of Association”	the amended and restated articles of association of our Company adopted on November 20, 2018 with effect from December 6, 2018, as amended and supplemented from time to time
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Company” or “our Company”	iDreamSky Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange under stock code 01119
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CP”	the content provider
“Director(s)”	the director(s) of the Company
“Euro” or “EUR”	Euro, the legal currency of the member states of the European Union
“Group” or “our Group” or “we” or “us”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time
“GTV”	gross transaction value
“HKD” or “HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“Listing Date”	December 6, 2018, being the date on which the shares of the Company became listed and commenced trading on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“match-three puzzle game(s)”	games in which users have to put three identical elements in a row or line to eliminate them
“MAU(s)” or “monthly active user(s)”	the number of unique accounts that interacted with the Group’s mobile games in a particular month, which include multiple accounts held by one single user
“MMORPG”	massive multiplayer online role-playing game





“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPU(s)” or “monthly paying user(s)”	the number of unique accounts through which a payment is made for the Group’s mobile games in a particular month, which includes multiple accounts held by one single user
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this report only, the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Shenzhen iDreamSky and its subsidiaries
“Prospectus”	the prospectus of the Company dated November 26, 2018
“Reporting Period”	the six months ended June 30, 2021
“RMB”	Renminbi, the legal currency of the PRC
“RPG(s)”	games in which users assume the roles of characters in a fictional setting
“RSU Plan”	the restricted share unit plan of our Company
“RTS game”	real-time strategy game
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company with a nominal value of US\$0.0001 each in the share capital of the Company
“Shenzhen iDreamSky”	Shenzhen iDreamSky Technology Co., Ltd. (深圳市创梦天地科技有限公司), a company established in the PRC and a PRC Consolidated Affiliated Entity of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Tencent”	Tencent Holdings Limited, one of the Company’s substantial shareholders, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange under stock code 700
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC and a consolidated entity of Tencent
“Tencent Group”	Tencent and its subsidiaries
“U.S. dollars” or “US\$” or “USD”	U.S. dollars, the legal currency of the United States of America
“WFOE”	Shenzhen Qianhai iDream Technology Co., Ltd. (深圳市前海创梦科技有限公司), a wholly-owned foreign enterprise established in the PRC and a subsidiary of our Company

